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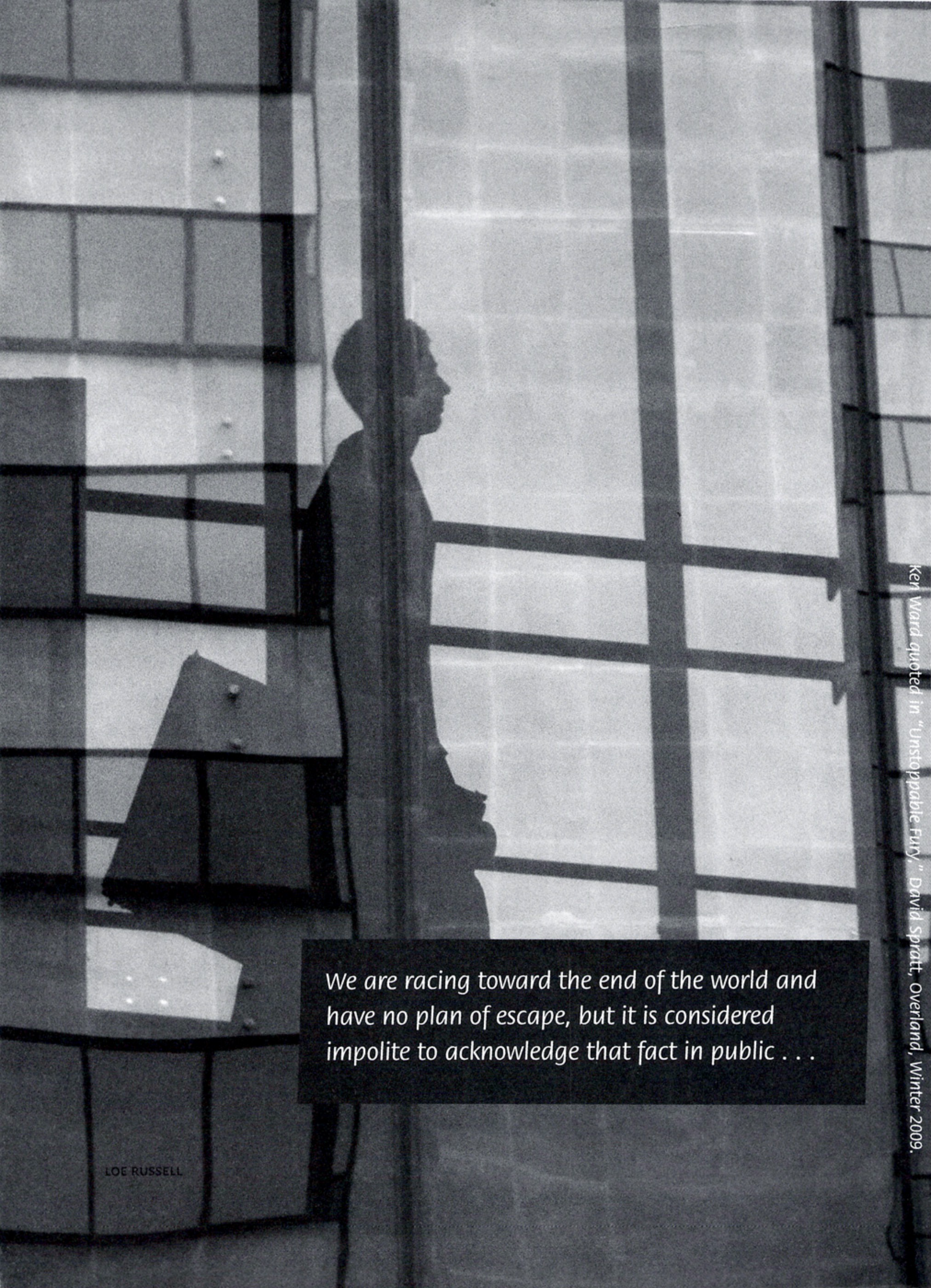


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THOUGHT CONTROL — IN — ECONOMICS

George Akerlof
Lourdes Benería
Herman Daly
Evo Morales
Paul Ormerod
Joseph Stiglitz





Ken Ward quoted in "Unstoppable Fury," David Spratt, *Overland*, Winter 2009.

We are racing toward the end of the world and have no plan of escape, but it is considered impolite to acknowledge that fact in public . . .

We see the mistakes we have made, but we continue to make them with an apparent blind obstinacy ... We know the implications of pollution, but we go on calmly polluting the air, the rivers and the oceans. We know people are going mad from living in huge conglomerations, but we, like automatons, go on building them. We know the dangers of pesticides and chemical fertilizers, but we continue to use them in increasingly massive doses. We know all this, but we are like the masochist who knows others have put a little arsenic in each bowl of soup he eats, but who goes on eating it day after day, as though impelled by an irresistible force.

Our speed is constantly increasing, and it does not matter where we are going. We are caught up in the madness and hubris of the dance of death: the important thing is the dance, the Saturnalia, the Bacchanalia, the Lupercalia. We are no longer worried about what will emerge from it or about the void it points to. We are content to die of dancing. Our generation is not even capable of cynicism. It takes a kind of terrible greatness to say, "After me, the deluge." No one says that today; on the contrary, everyone is gluttoned with promises and regards the mad dance as a way to authentic renewal. Yet there is no goal, nothing transcendent, no value to light the way; the movement is enough.

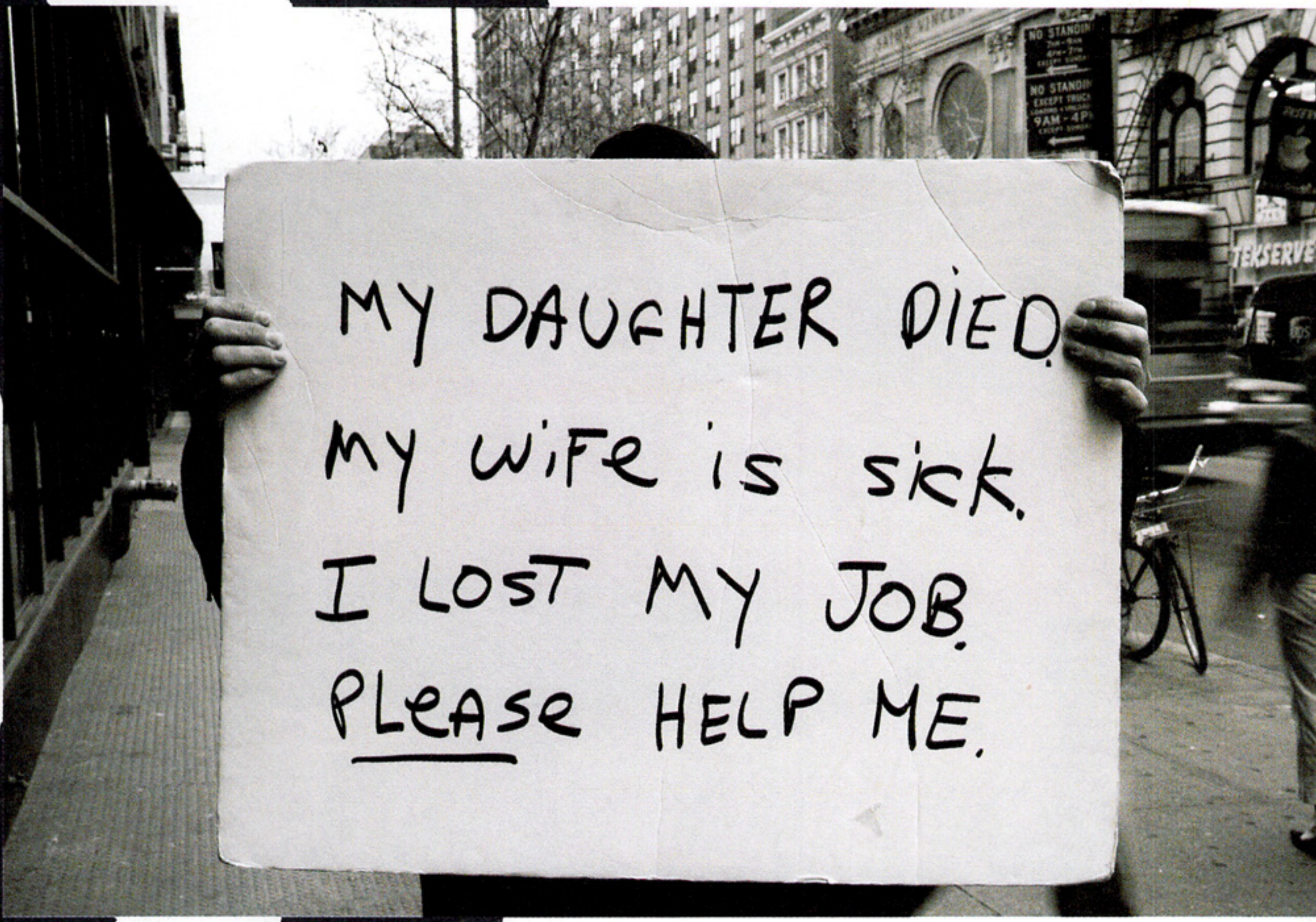
The nihilistic revolution has succeeded. Today's political activists who still claim to be revolutionaries have nothing to put in nihilism's place. Movement for movement's sake, thorough study for the study's sake, the revolution for the revolution's sake: that, they say, is the only way to escape the system. It is a remarkable thing, however, that this system renders mad not only those who are part of it but those who reject it as well. The system is now the god that makes us mad, but it is a god we have created with our own minds.

From *The Betrayal of the West* by Jacques Ellul.

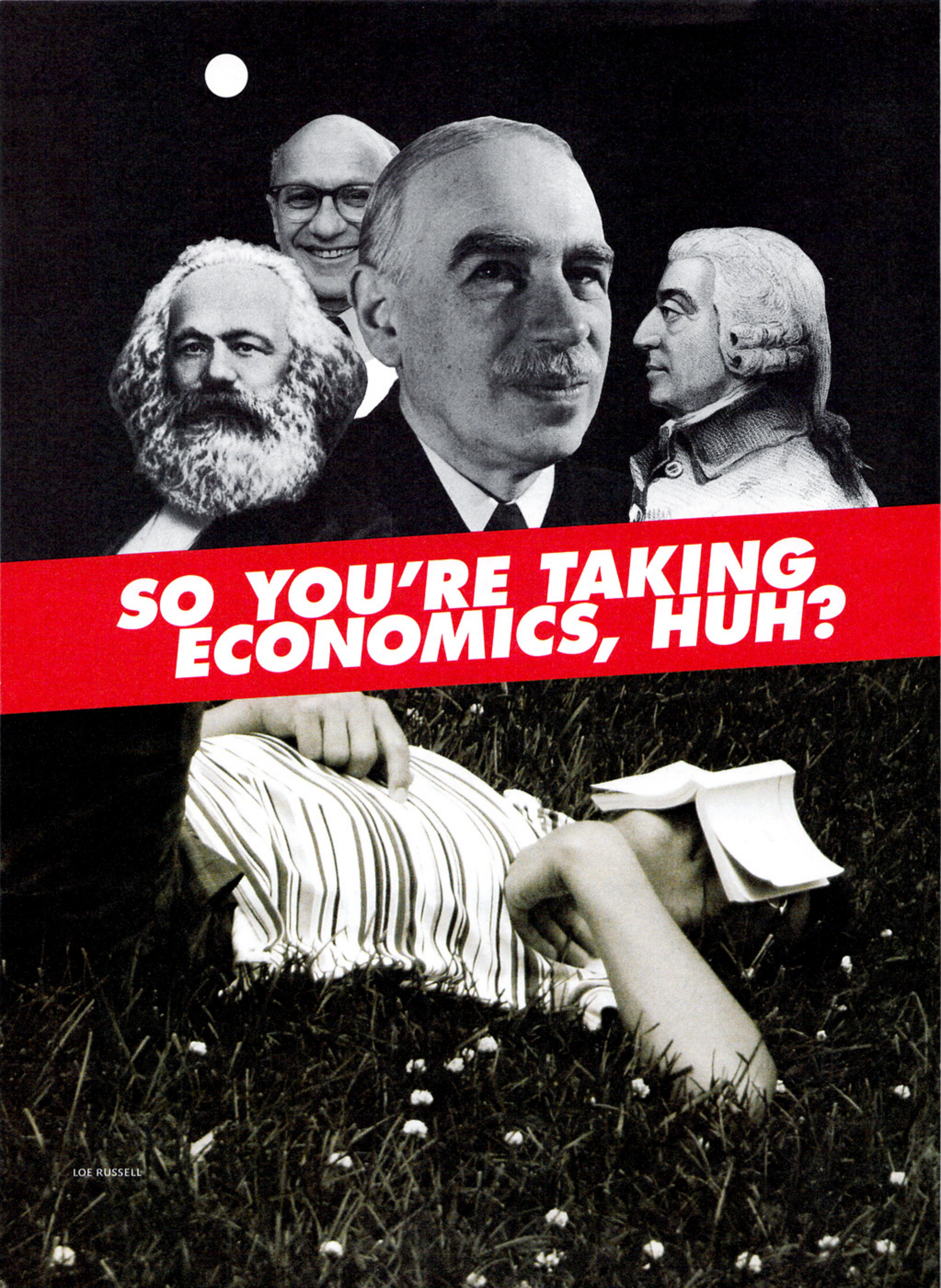


MATTHIAS ZIEGLER
AGENTURNEUBAUER.COM

RUUD SIES
ROTTERDAM, THE NETHERLANDS



MY DAUGHTER DIED.
MY WIFE IS SICK.
I LOST MY JOB.
PLEASE HELP ME.



**SO YOU'RE TAKING
ECONOMICS, HUH?**

It was one of the most formative moments of my life. I was sitting in a cold, drab Oxford lecture room in my first year of university waiting for my prof, Marxist thinker Erik Swyngedouw. He finally burst into the room with a cup of coffee in his hand and asked in his distinctive Belgian accent, "Can you see this coffee?" The obvious answer was, "Yes, of course I can see the cup." What, I wondered, was this guy getting at?

But it soon became clear that this wasn't going to be my usual dazed and drowsy experience wallowing at the back of the lecture theater. "You can see the coffee, but can you see the fields of Guatemala? Can you see the EU tariffs? Can you see the coffee workers' pay slips?" I soon realized what he was getting at. The world as it is didn't just happen. It is the way it is because of people, because of laws, because of attitudes.

Then Swyngedouw asked, "So, how many of you want to work in the Civil Service when you're older?" I thought for a second. The idea appealed, but my arms didn't leave my side. It was strange: as if by some magnetic force I was being kept in the system, the one that – for now – ruled the room. No other arms were raised; the question seemed absurd. "So, how many of you want to go work in the City: invest, trade, move money and make money?" Arms shot up all around me. It all became painfully clear: Why, oh why, would anyone want to contribute to society when they could focus on making money?

I think Swyngedouw's aim was to show us we don't have to give in to the system, and the accumulation of money in our hands doesn't automatically lead to happiness. He told us the ratio of raised arms would have been reversed in the 1970s, but peoples' mindsets had changed. It seems that we're all looking out for ourselves, convinced somehow that profits will bring economic benefit to us all. Mind you, I don't see accumulating money in itself as an evil act. Work hard, make money, sure – but don't make it your idol. Don't screw everyone, don't screw up the planet, don't isolate yourself, don't become an island. We're in this life together.

Luke Sherlock
Oxford, UK

IS ECONOMICS A COLD
THEORETICAL GAME OR...



LOE RUSSELL

A PROFOUNDLY PERSONAL DISCIPLINE
THAT GOES TO THE HEART OF
WHO WE ARE AS HUMAN BEINGS?

Hey Adbusters,

I recently read an article about the global economic crisis and it scared me. It said that we're all screwed no matter what Obama does: debt relief will make our money as worthless as confetti, but no debt relief will bring devastation worse than the Great Depression. I think about my parents and wonder if they'll be ok. They have a farm with a deep well and a septic tank. They live on top of a hill and have a source of fresh water. They have a generator and a gas and diesel fueling tank station. I think they'll be ok.

I have the sudden urge to buy a trailer home and park it under the old pine trees on the lawn where we used to play football and baseball. I imagine my two brothers and their spouses with their trailers and four kids and how much fun it would be to live like that. We could do it if we had to ... grow our own food and have space for livestock.

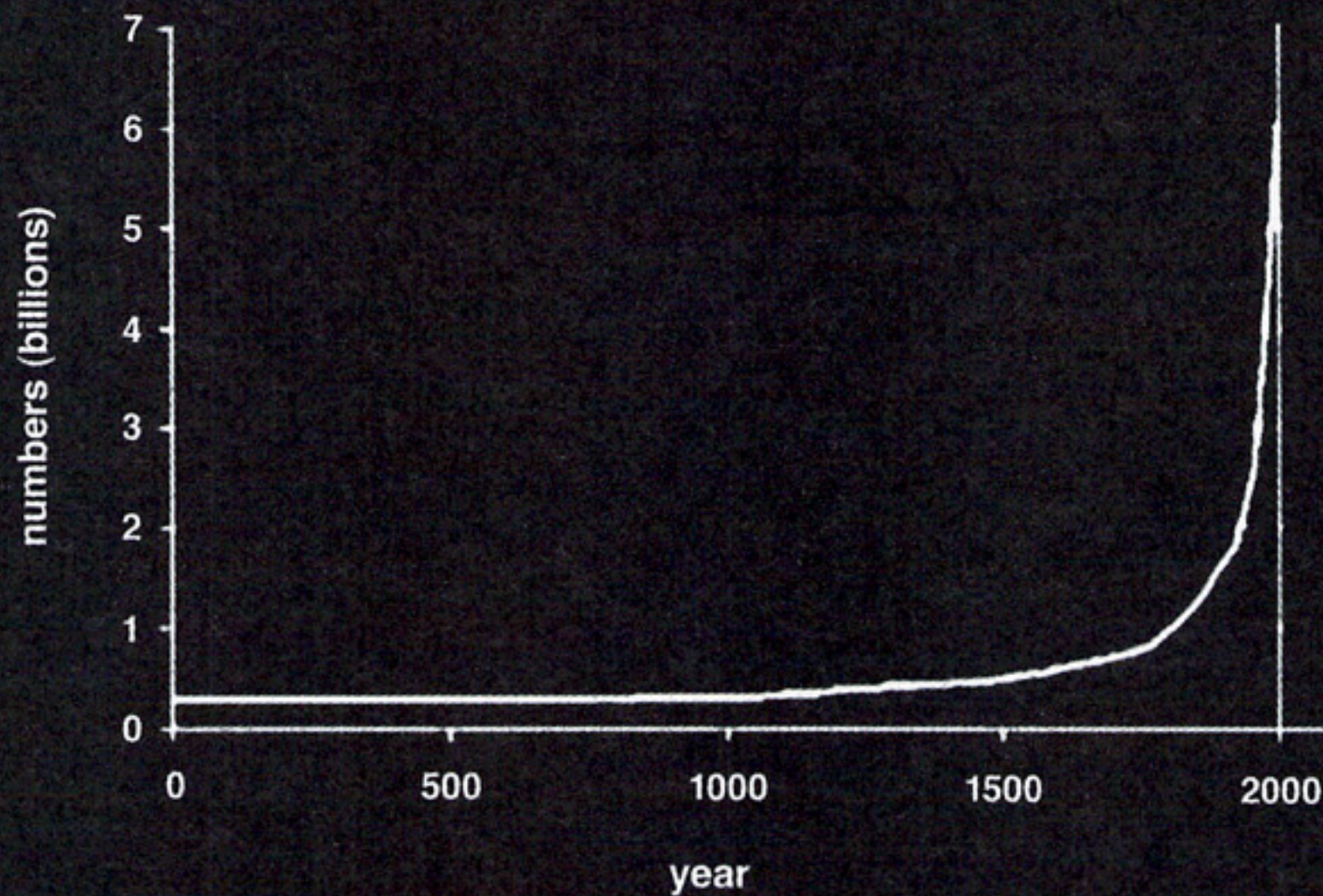
Then I see this image in *Adbusters*. It looks like a slide from Al Gore's rigmarole. It shows how outrageously high our current co2 levels are compared to the highest points in history. I can't help but wonder if it's too late to save the world – I haven't heard of any policy solutions being considered right now except a gradual process that will have substantial outcomes in a number of years. I don't know all the details, but I just don't think a span of many years is gonna be good enough. I don't think that continuing to pollute at massive rates is a real solution, and I am not sure if a) I'm totally off base, or b) our policy makers are living in la-la land.

So what's a girl to do? Should I stay in school and rack up debt even though it's not gonna make much difference to my quality of life in either economic outcome? Or should I create some marketing scheme that results in someone else paying for the construction of a large, impenetrable bubble over the homestead – with its fields, cows, barns, trailers and bonfire pit – where my family will ultimately reside?

JJ Strang

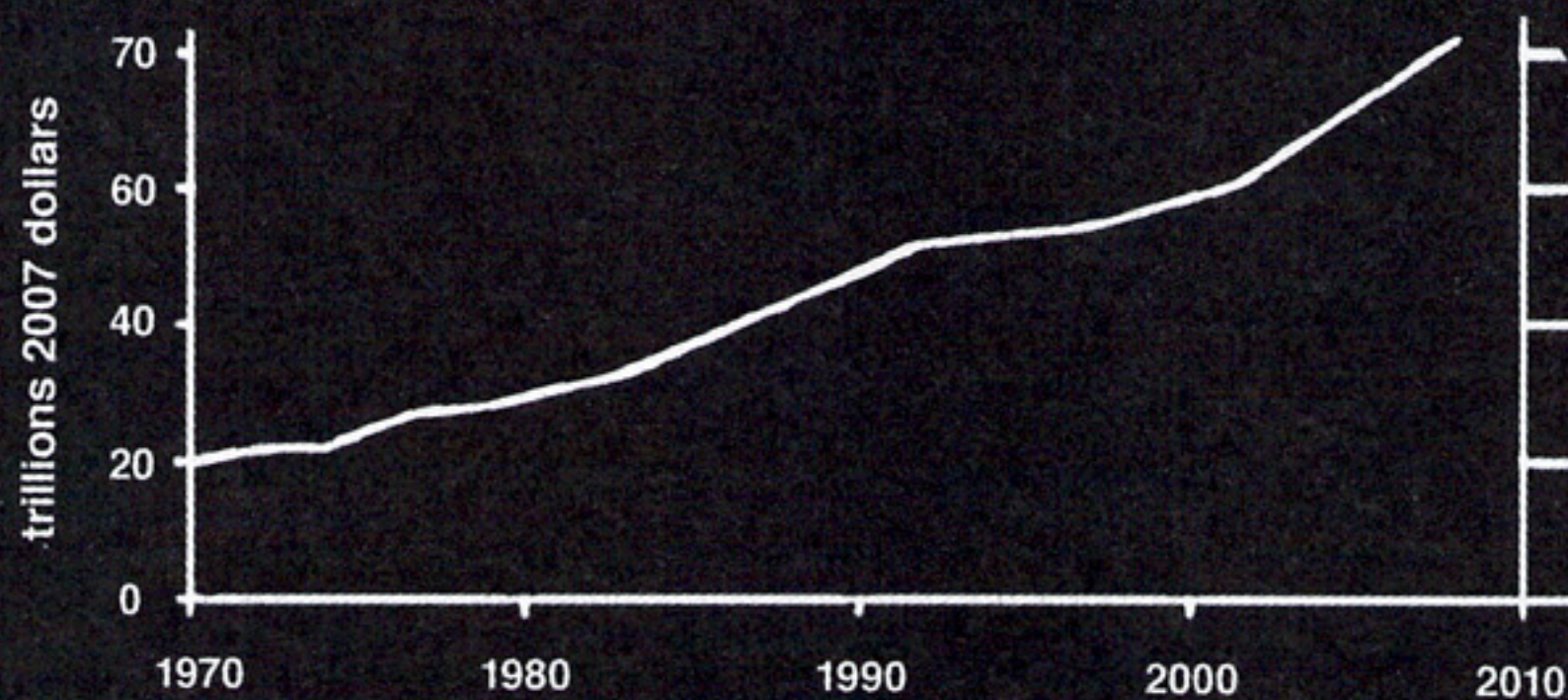
SOME BASIC FACTS:

World Population Growth



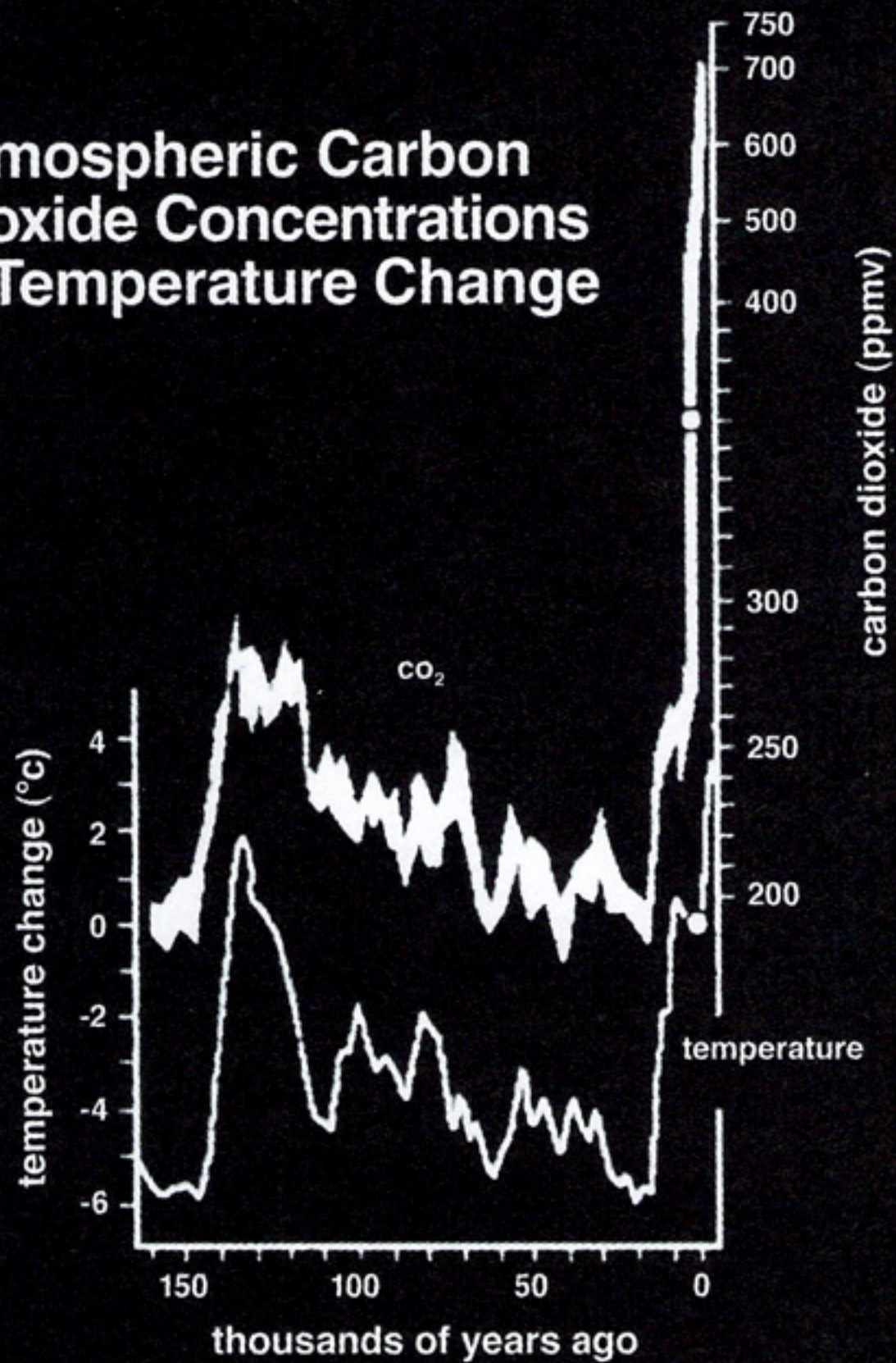
Human population may now have reached the carrying capacity of the planet.

Gross World Product



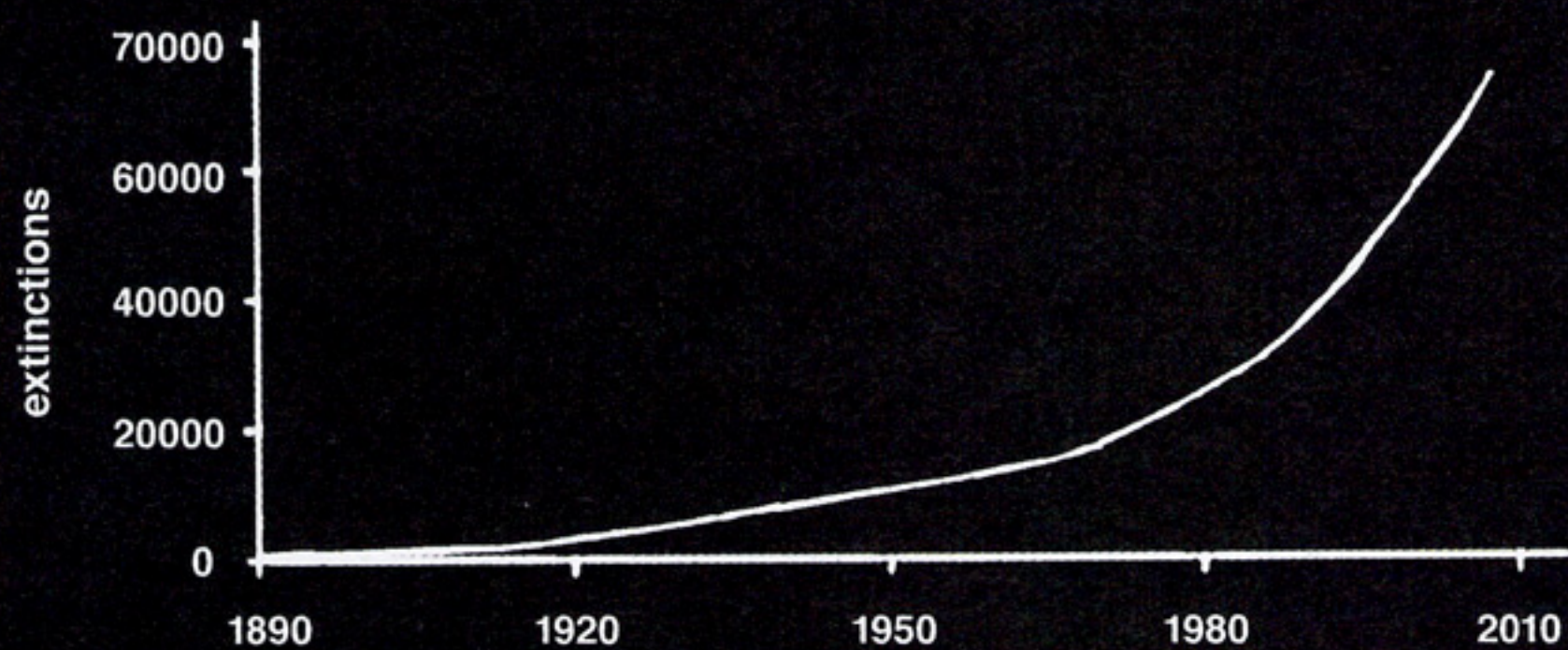
Continued growth may no longer be a viable option.

Atmospheric Carbon Dioxide Concentrations & Temperature Change



We may be approaching a "tipping point" on global warming.

Species Extinction



We're in the sixth biggest extinction in geological history.

TAKING STOCK

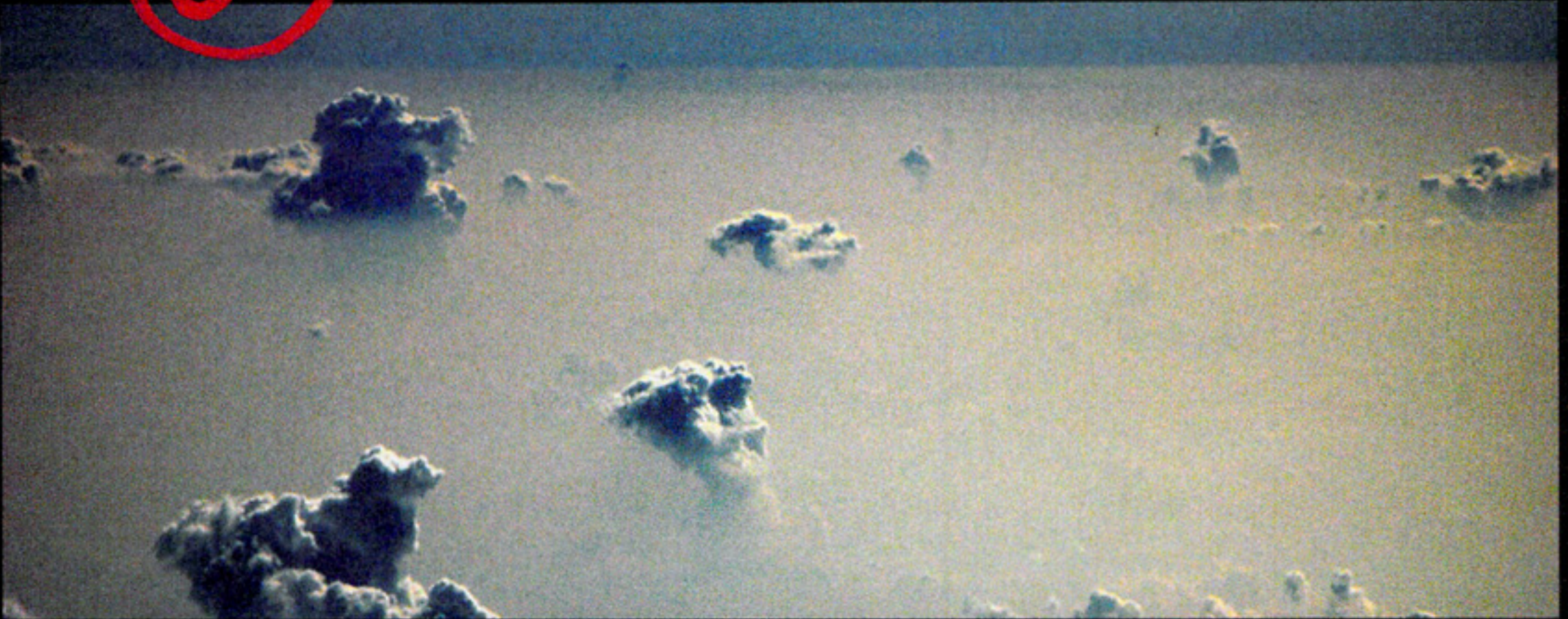
NASA

Derived from the Greek word *oikos*, meaning household, ecology is – both etymologically and literally – the study of our home. Economics shares the same linguistic history – it is also derived from the word *oikos* – and relates to the allotment of goods within that home. The words ecology and economy are inextricably linked and, taken together, relate to the management of our global household.

If we genuinely assess our world's natural inventory, how well do we rate as planetary managers?

AIR

(C-)



For thousands of years everything was fine – we took breathing, the most elemental human action, for granted. But in the last 50 years, the air became so polluted that we resigned ourselves to living with the thick shrouds of smog that blanket our cities. Nations all over the world are developing practices

and policies to address the situation, but solutions may not be implemented soon enough. If we're unable to reverse the problem, the entire world may end up like China – where the air quality is so dismal that the Beijing Olympics were threatened due to concerns for the athletes' health.

WATER

(D-)



It used to be that we turned our taps and clean, potable water came spilling out. Now shortages and contamination – or, worse, no water at all – are becoming commonplace. India is facing a drought of such magnitude that it would have been inconceivable just a few decades ago. And as

populations exert an ever-increasing demand on an ever-decreasing supply, the likelihood of disease, mass migration and even armed conflict multiplies. UN Secretary-General Ban Ki-moon has named “water wars” as the century's preeminent threat to humanity.

SOIL



STRINGER/REUTERS

It takes 1,000 years to grow an inch of soil, but over the last few decades we've compromised this precious resource in favor of a massive agricultural industry. We started a large-scale worldwide experiment in chemical usage with no thought of the disastrous future consequences. Pesticide use

has doubled since 1950, and the chemicals used today are ten times more toxic than those of 60 years ago. If we are to reclaim this elemental unit of our planetary household, the budding organic movement has to take firm root in every nation of the world.

FOREST



Our forests are in such rapid decline that the burgeoning conservation movement can't keep up with the decimation. Massive swaths of the Amazon – which provides more than 20 percent of Earth's oxygen – have been cut down for cattle ranching, soy farming and logging. Rainforests that used to

cover 14 percent of the Earth's surface now cover less than 6. And to add to the planetary devastation, two billion tons of CO₂ enters the atmosphere every year from the slashing and burning of rainforest, which makes deforestation one of the leading causes of global warming.

OCEAN

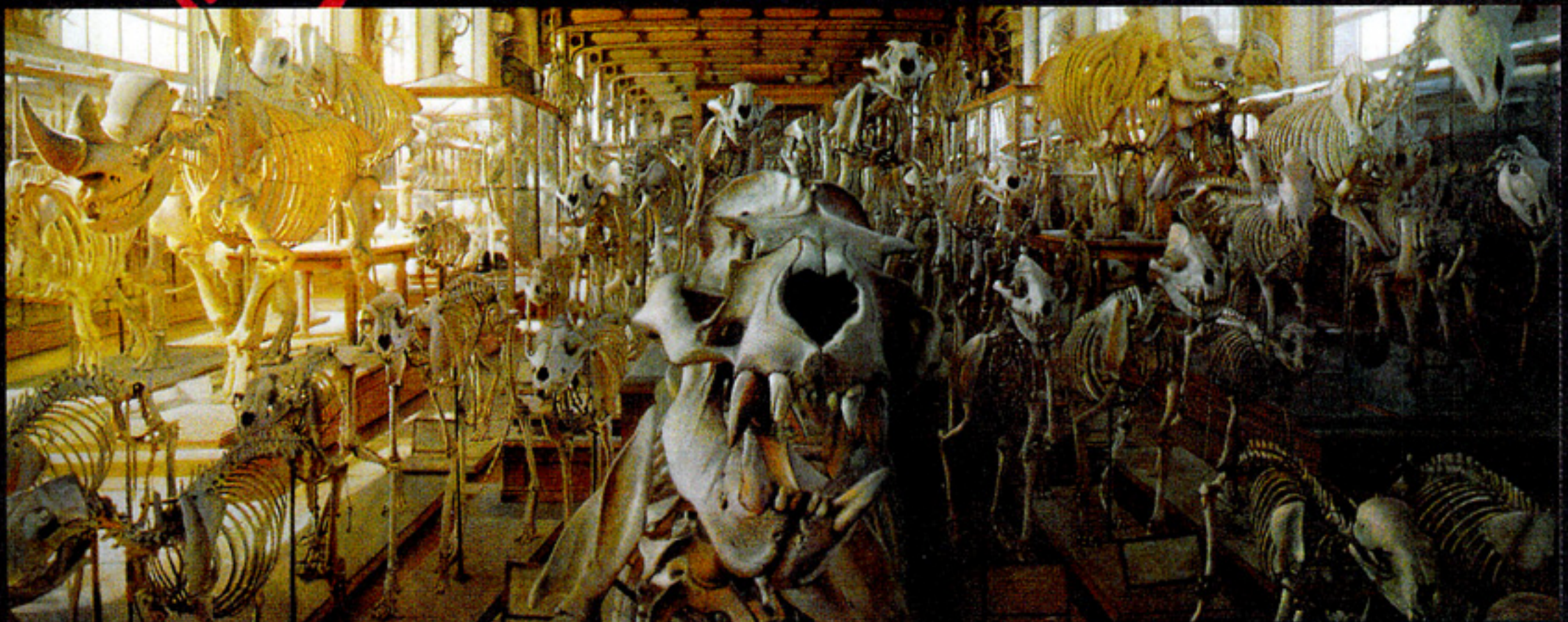


JEFF PETRY

The state of our oceans has been declining rapidly over the past few decades, and recovery seems to be nowhere on the horizon. Since the 1970s the number of “dead zones” – low-oxygen areas of the ocean caused by the proliferation of chemicals in the water – has been increasing steadily. Due to a

number of human abuses – commercial overfishing, disruption of currents due to global warming and dumping waste into the ocean – an estimated 90 percent of edible fish will be gone from our oceans by 2048.

LIFE



A key indicator of planetary well-being is the health of the species that inhabit the Earth. As the Earth's resources are depleted and destroyed, its ability to support life steadily decreases. Scientists warn that we are in the midst of the sixth great mass extinction – the largest species depletion in 65

million years. The planet is losing an estimated 30,000 species a year, which breaks down to about 3 species per hour. How well are we really managing our home if year by year it becomes increasingly unable to support life?

A History of "Progress"

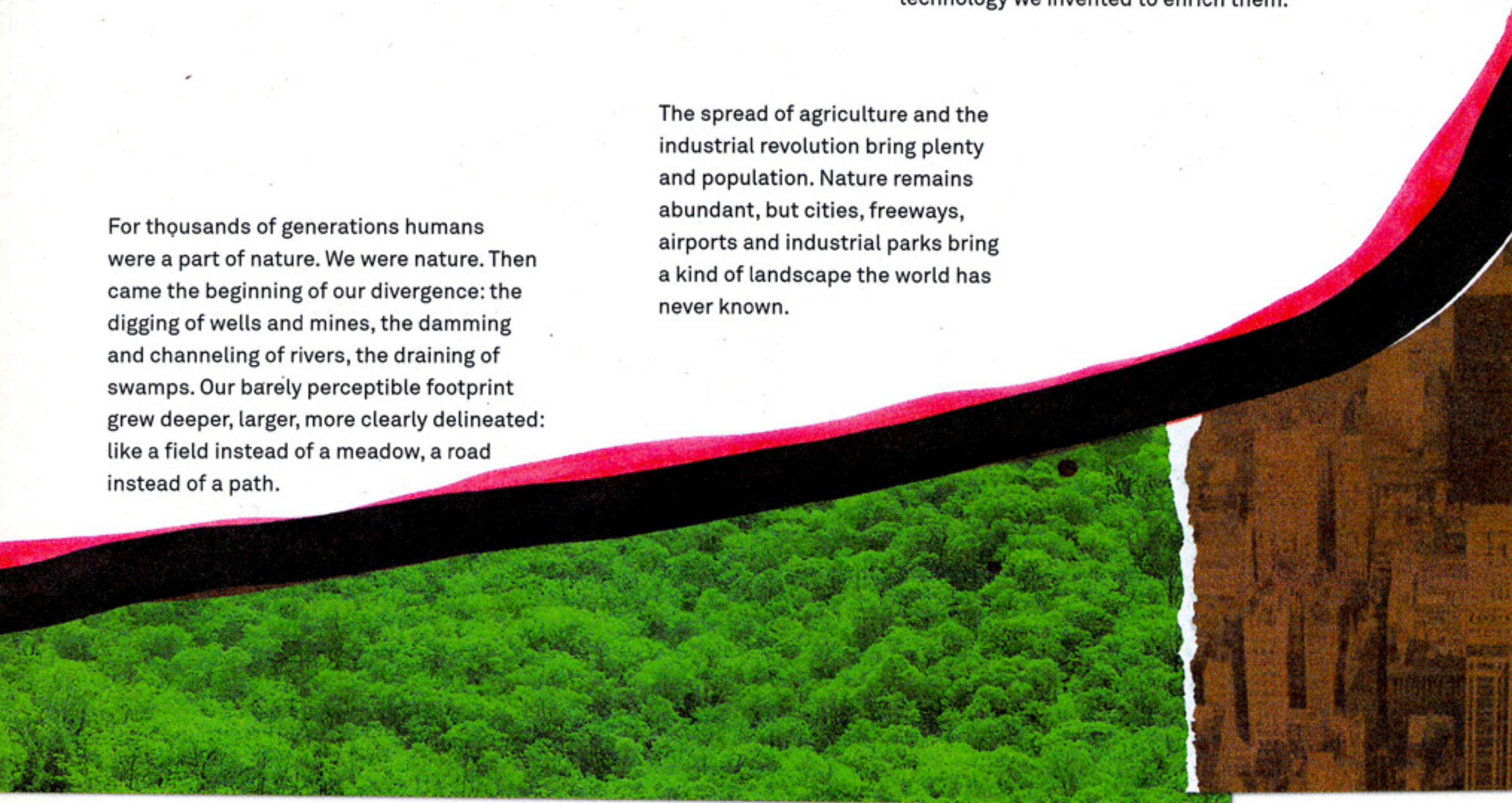
For thousands of generations humans were a part of nature. We were nature. Then came the beginning of our divergence: the digging of wells and mines, the damming and channeling of rivers, the draining of swamps. Our barely perceptible footprint grew deeper, larger, more clearly delineated: like a field instead of a meadow, a road instead of a path.

The spread of agriculture and the industrial revolution bring plenty and population. Nature remains abundant, but cities, freeways, airports and industrial parks bring a kind of landscape the world has never known.

The richest and most accessible mineral deposits are exhausted; old-growth forest have been cleared; oil squirrels itself away deeper and deeper into the Earth's darkness. Fish stocks decline. Potable water proves an increasingly costly commodity. Our lives are threatened by the very methods and technology we invented to enrich them.

1800

1900



We find ourselves here: the age of diminishing returns. Environmental cleanups – expensive industrial scrubbers and waste treatment plants ... long-term storage for dangerous, indestructible wastes – all become essential to sustain a growing economy. Competition for resources becomes fevered, spawning discord and outright conflict. Medical costs bloat as quality of life shrivels. We have been issued the warnings: collapsed fisheries, erratic weather, cancer epidemics. The planet is in cataclysmic distress.

we are
here

We completely reinvent the dominant industrial, nutritional, communication and transportation paradigms. We rehabilitate consumer culture, establishing a level playing field for living and future generations ... a new reality. Humanity and the world it depends on are sustained.

We continue following the existing paradigms of unrestrained growth until it is too late. Global ecosystems erode beyond any chance of repair or renewal. The planet's capacity is reached and exceeded, making any growth yield negative economic returns. The crash begins. Future generations struggle in a state of permanent degradation. No austerity measure – no matter how radical – can halt the descent.

2000

2100

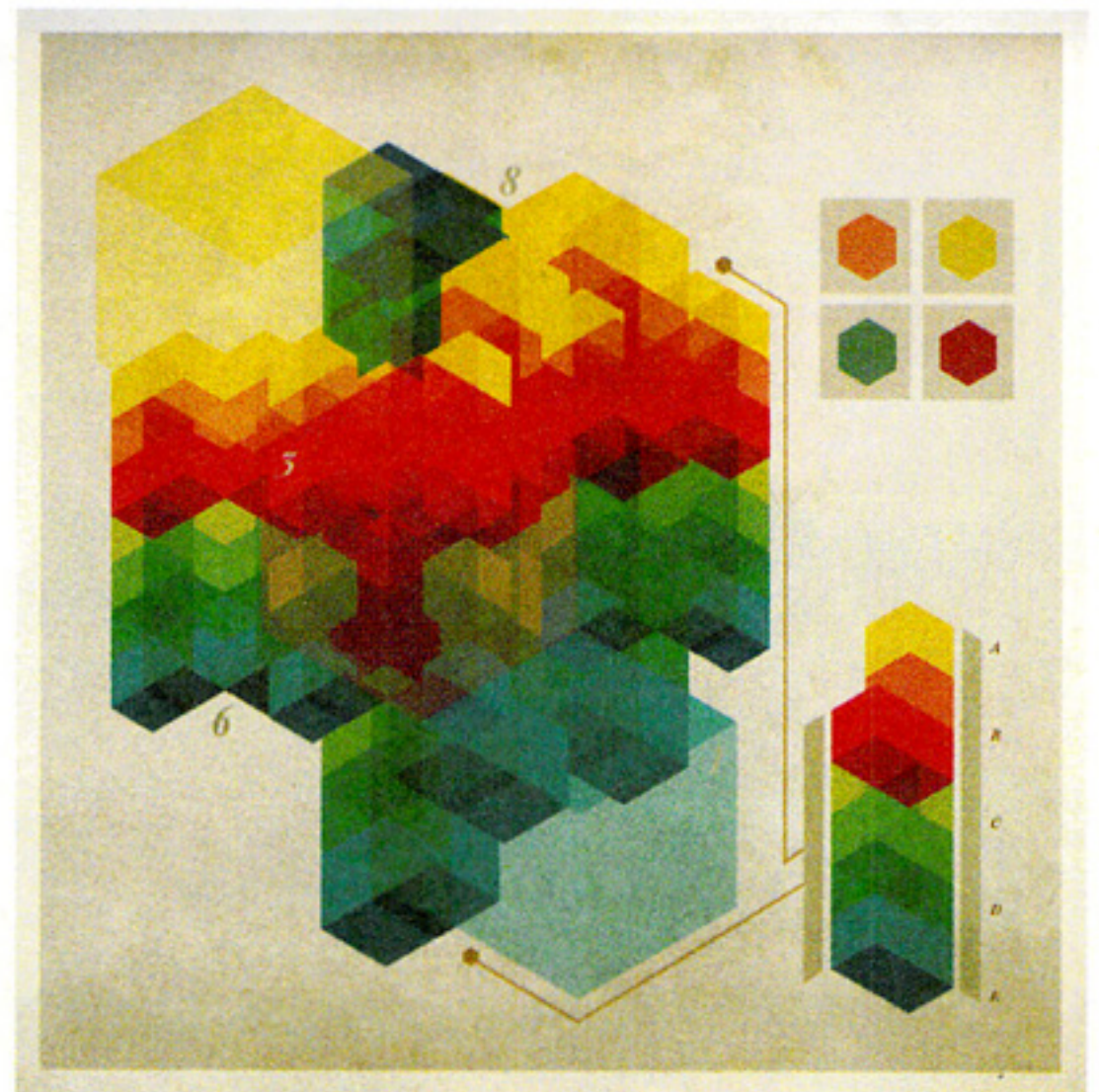
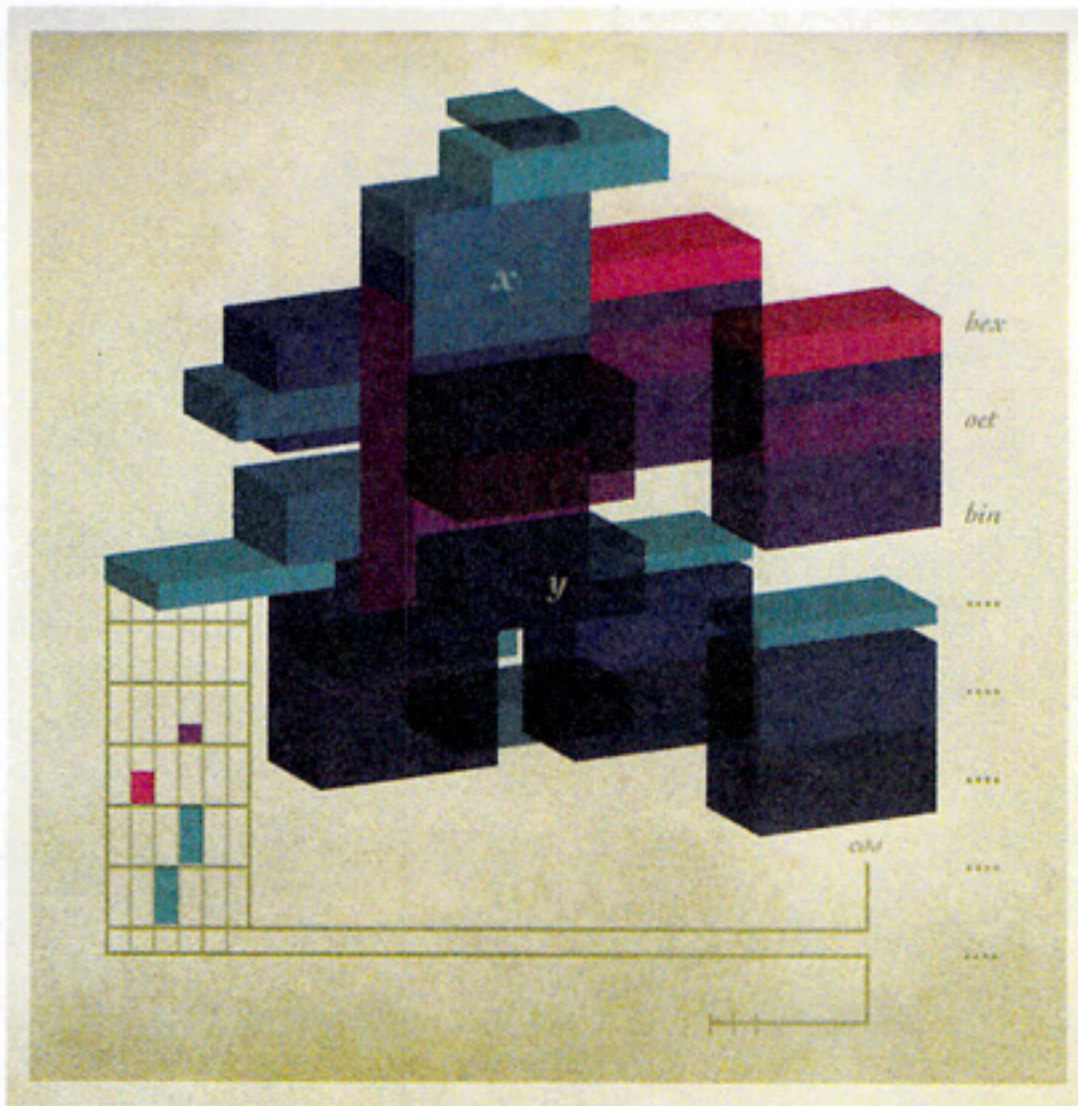
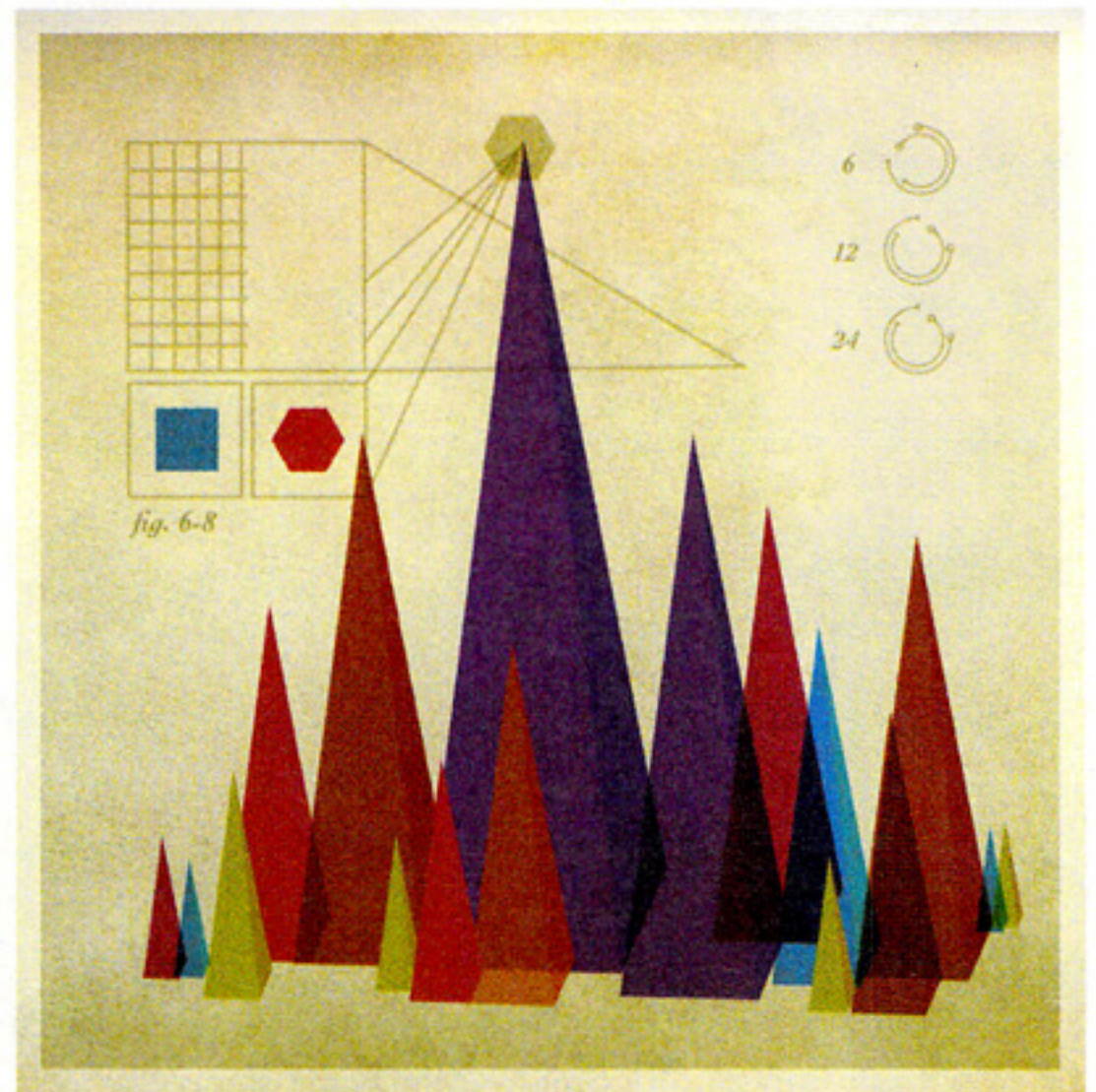
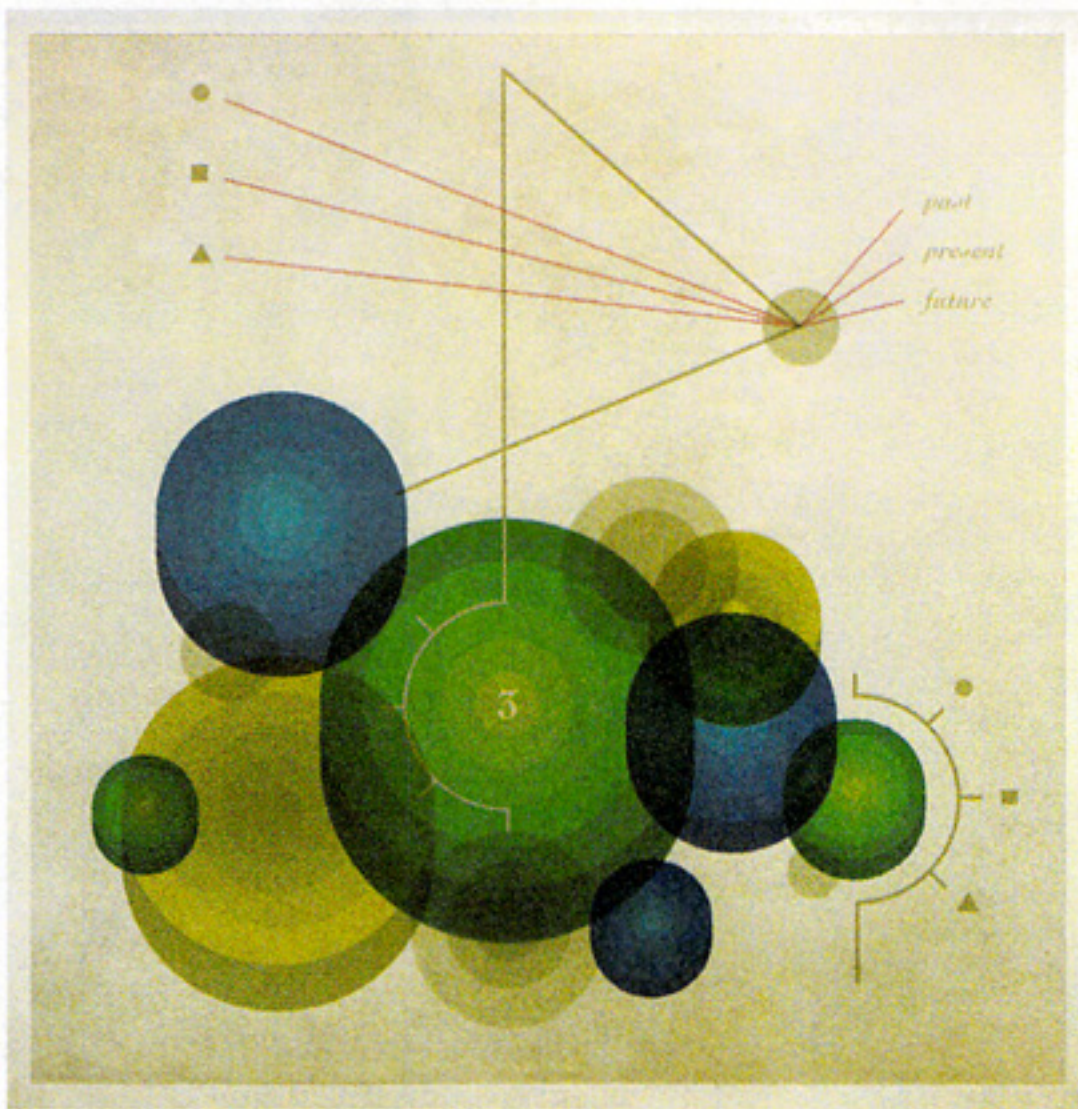


W[®] CONFLICT

Are the self-organizing principles of markets that have emerged in human cultures over the past 300 years in conflict with the self-organizing principles of ecosystems that have evolved over the past billion years?



Cut me out!

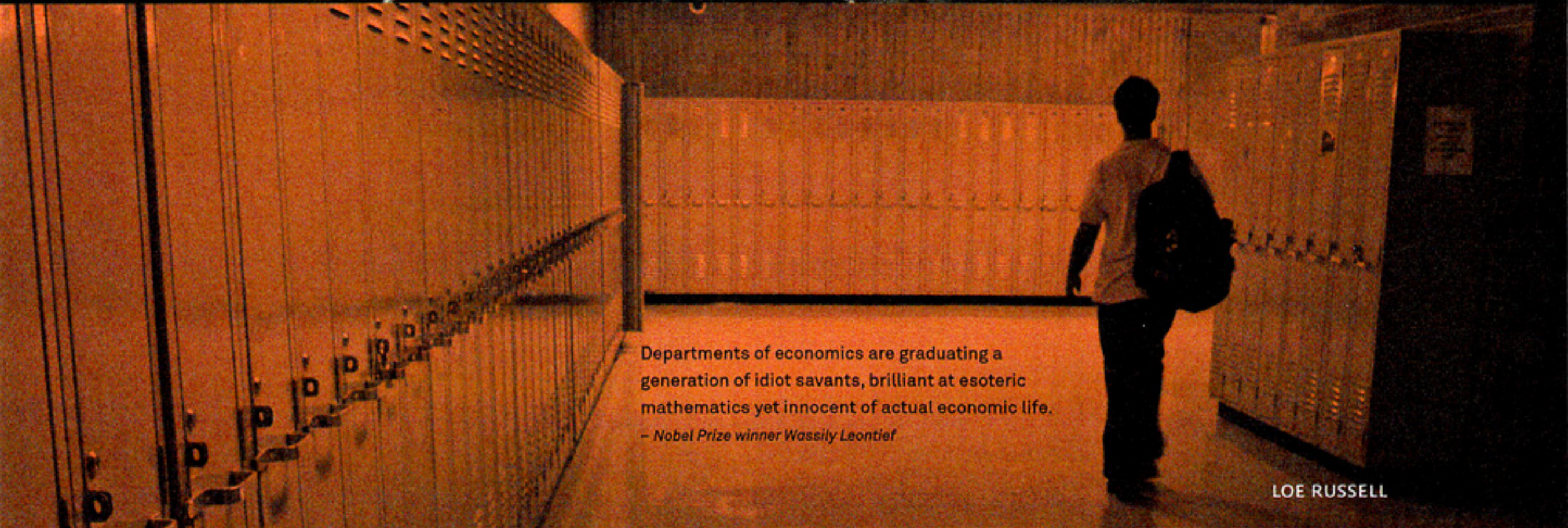


CHAD HAGEN

SO WHAT DO THESE GRAPHS AND THIS MATHEMATICAL JARGON
HAVE TO DO WITH CLIMATE CHANGE AND ECOSYSTEM COLLAPSE?

... IS WHAT I'M LEARNING RELEVANT?





Departments of economics are graduating a generation of idiot savants, brilliant at esoteric mathematics yet innocent of actual economic life.
- Nobel Prize winner Wassily Leontief

LOE RUSSELL



JEFF PETRY

A PREFACE TO THE STUDENT

You are entering economics at a critical juncture. The inability of economists to incorporate externalities into their models and to account for phenomena such as species extinction, resource depletion and global warming – not to mention the financial meltdown that blindsided them all – has turned the profession into a target for derision and ridicule. And it's not just some academic joke – today even ordinary people look down their noses at the ineptitude of economics.

And yet as you delve into your textbooks and listen to the sensible, ordered tone of lectures and come to associate your professors with the accolades that hang from their walls, you may get the sense that economics is a science: a rigorous discipline with its own immutable laws, proven theories and crop of Nobel laureates. Far from it. Though you may be temporarily fooled by this façade, you need only to look beneath the surface to discover that economics is a highly contested field ... a profession whose axioms, principles and credibility are being questioned like never before. The prevailing neoclassical paradigm is crumbling and a new, more chaotic, more biologically based paradigm is struggling to emerge.

But your department, like most others around the world, is still marching in lockstep with the old guard. That's because generations of tenured professors have marginalized dissenters and eliminated competition. Your university is a police state ... not a free marketplace of ideas in which innovation is acknowledged and rewarded. But outside your department, a vigorous heterodox economics thrives ... there are social economists, feminist economists, interdisciplinary economists, ecological economists and hundreds of intellectuals and maverick professors who are openly critical of the neoclassical paradigm and fighting to overthrow it.

So there are really two ways for you to approach your studies over the next few years: You can ignore all of the screaming inconsistencies and accept the status quo. You can cross your fingers and hope the old paradigm has a generation or two left in it, enough for you to carve out a career. Or you can align yourself from the get-go with the mavericks. You can be an agitator, a provocateur, one of the students on campus who posts heterodox messages up on notice boards and openly challenges professors in class. You can bet your future career on a paradigm shift. I hope this book inspires you to take the riskier, more exciting path.

for the wild, Kalle



A photograph of a lecture hall. A lecturer is standing at the front, writing on a chalkboard. The audience is seated in rows of red desks, facing the front. The hall has a curved, tiered design. The title 'REAL-WORLD CURRICULUM' is overlaid on the top right of the image.

REAL-WORLD CURRICULUM

I
PARADIGM LOST

II
FRESH
PERSPECTIVES

III
MEET THE
MAVERICKS

IV
YOUR PLACE IN
THE REVOLUTION

V
EARLY PIONEERS

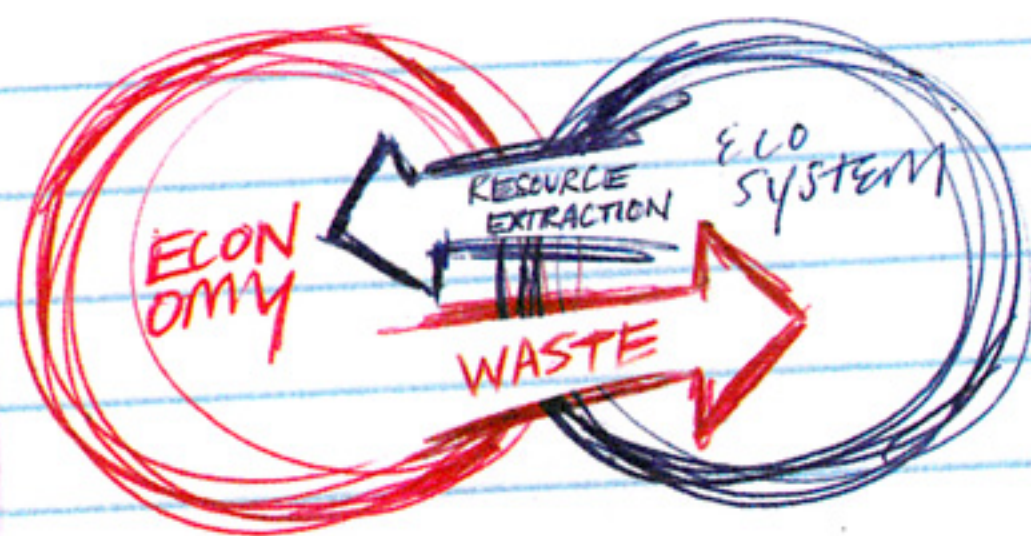
RESOURCES

TWO PARADIGMS

FALLACIOUS
NEOCLASSICAL
MODEL

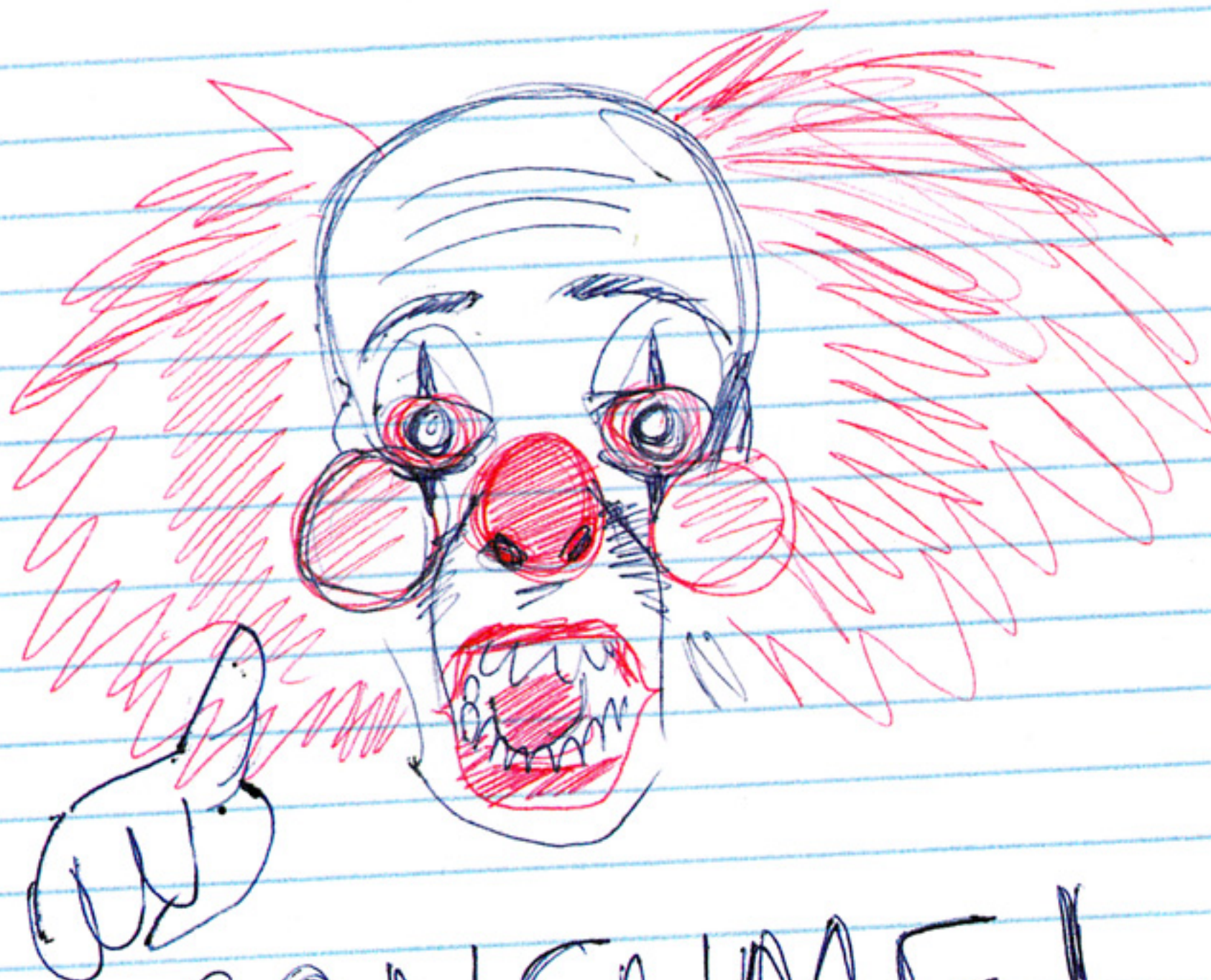
VS

MORE REALISTIC
ECOLOGICAL MODEL



EARTH AS A
SUBSYSTEM OF
THE ECONOMY

ECONOMY AS A
SUBSET OF THE
EARTH



CONSUME!

Imagine you are riding comfortably on a sleek train. You look out the window and see that the tracks end abruptly not too far ahead

... The train will derail if it continues. You suggest the train stop immediately and the passengers go forward on foot. This will require a major shift in everyone's way of traveling, of course, but you see it as the only realistic option. To continue barreling forward is to court catastrophic consequences. But when you propose this course of action, others – who have grown comfortable riding on the train – say, “We like the train, and arguing that we should get off is not realistic.”

In the contemporary United States, we are trapped in a similar delusion. We are told that it is “realistic” to yield to the absurd idea that the systems we live in are the only systems possible or acceptable based on the fact that some people like them and wish them to continue. But what if our current level of first world consumption is exhausting the ecological basis for life? Too bad. The only “realistic” options are those that view this lifestyle as nonnegotiable. What if real democracy is not possible in a nation-state with 300 million people? Too bad. The only “realistic” options are those that view this way of organizing a polity as immutable. What if the hierarchies our lives are based on are producing extreme material deprivation for the oppressed and dull misery among the privileged? Too bad. The only “realistic” options are those that view hierarchy as inevitable.

Let me offer a different view of reality:

(1) We live in a system that, taken as a whole, is unsustainable – not only over the long haul but in the short term.

(2) Unsustainable systems cannot be sustained.

How's that for a profound theoretical insight? Unsustainable systems can't be sustained. It's hard to argue with that. The important question is whether or not we live in a system that is truly unsustainable. There's

no way to definitively prove such a sweeping statement, but look around at what we've built and ask yourself whether you really believe this world can go forward indefinitely ... or even for more than a few decades. Take a minute to ponder the end of cheap fossil energy, the lack of viable large-scale replacements for that energy and the ecological consequences of burning what remains of it. Consider the indicators of the health of the planet: groundwater contamination, topsoil loss, levels of toxicity. Factor in the widening inequality in the world, the intensity of the violence and the desperation that so many feel at every level of society.

Based on what you know about these trends, do you think this is a sustainable system? If you were to let go of your attachment to this world, is there any way to imagine this as a sustainable system? Considering all the ways you understand the world, is there anything in your field of perception that tells you we're on the right track?

To be radically realistic in the face of all this is to recognize the failure of basic systems and to abandon the notion that all we need to do is recalibrate the institutions that structure our lives. The old future – the way we thought things would work out – truly is gone. The nation-state and capitalism are at the core of this unsustainable system, giving rise to the high-energy/mass-consumption configuration of privileged societies that has left us saddled with what James Howard Kunstler calls “a living arrangement with no future.” The future we have been dreaming of is not based on reality. Most of the world's population – who don't live with our privilege – has no choice but to face this reality. It's time for us to come to terms with it.

Robert Jensen is a journalism professor at the University of Texas at Austin. He is the author of *Getting Off: Pornography and the End of Masculinity* and *All My Bones Shake: Seeking a Progressive Path to the Prophetic Voice*.

Paint it!



HARMUT NAEGEL | PRADA



PARADIGM LOST

We are a colony of maggots, feeding off nature's bloated corpse while economic policy makers soothe our troubled minds with lies. Not to worry, they tell us, things will get better – we're making progress – the key is more liquidity, more stimulus, more credit, more consumption, more growth.

It's time call their bluff.

This book is a battle plan. We attack the massively fortified system of thought control in which the same tenured forces have been entrenched for fifty years. We take on this powerful intellectual army whose generals include Milton Friedman, Alan Greenspan, Gregory Mankiw, Paul Krugman ... who have boots on the ground in Summers, Bernanke and Geithner plus the heads of the International Monetary Fund and the World Bank ... and whose foot soldiers are the thousands of business and economics professors all over the world. They all have the same mission: to perpetuate growth and consumption at any cost. We cannot stand idly by and allow these old-school practitioners of a failed paradigm to keep calling the policy shots. Ten more years of their brand of economics will send our planet into a tail-spin from which we may never recover.

In this section of the book, we identify five cracks in the foundation of the neoclassical paradigm, five soft spots to start hacking away at.

MORE AT KICKITOVER.ORG

- *NATURAL CAPITAL*

Why are we selling it off and calling it income?

- *OVERSHOOT*

What is the cost of a dying planet?

- *PROGRESS*

Does anyone know if we're moving forwards or backwards?

- *TRUE COST*

Why aren't the prices of products telling the ecological truth?

- *HAPPINESS*

What does it have to do with our curriculum?



NATURAL CAPITAL

After aeons spent at the mercy of plagues, famines, storms and other savage acts of nature, a growing sense of human prowess – along with a seemingly inexhaustible endowment of resources – strengthened the conviction that humanity's story could now be written largely independent of the natural world.

Economics has embraced this radical worldview with gusto. When spikes in population and technological power raised concerns about resource scarcity, economists confidently predicted that free markets would prompt more efficient production and consumption. Nature, they assured us, would not be a roadblock to human progress. In the 1970s, one Nobel economist made the claim (since recanted) that “the world can, in effect, get along without natural resources.” Even today, most economics textbooks fail to take nature into account.

Economics can no longer pretend to operate independently of nature: Humanity's footprint now exceeds the Earth's ability to sustain it. The overshoot is especially high in wealthier countries. Industrial economies survive by dipping ever more deeply into reserves of forests, groundwater, atmospheric space and other natural resources – a practice that cannot be sustained.

In the same way that the Industrial Revolution saw factories, machines and other forms of manufactured capital replace land as the principle drivers of wealth production, “natural capital” is now vital to economic advance. Declines in oceanic fish yields, for example, are often caused by the growing

scarcity of fish stocks (natural capital) rather than by a lack of fishing boats (manufactured capital). Modern fishing practices now overpower nature's ability to replenish the oceans.

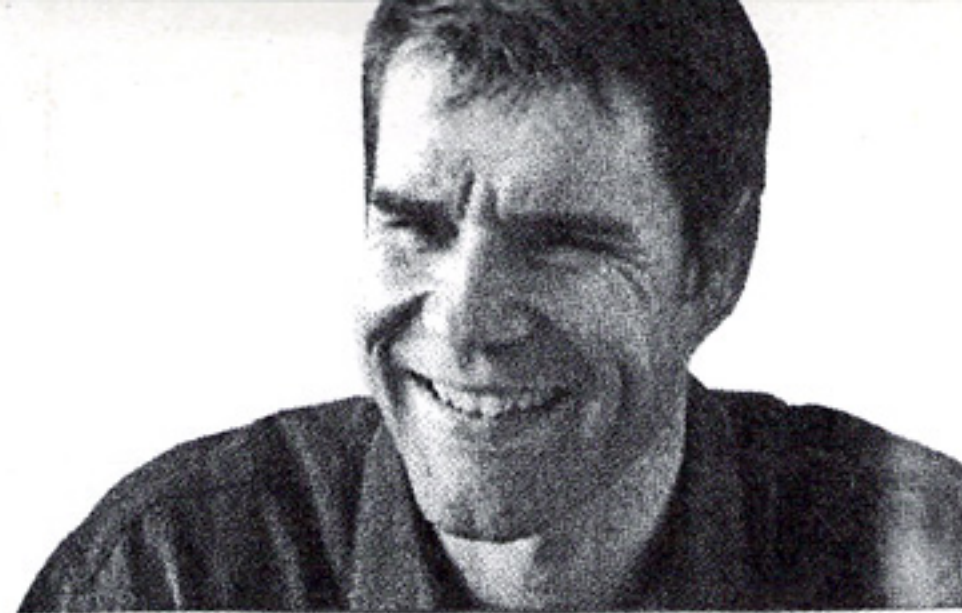
Over the past 20 years the honeybee population has decreased by 30 percent. Though there is some element of mystery surrounding the precipitous decline, scientists are sure of one thing: farmers' increased dependence on the use of toxic pesticides is threatening the survival of the very creature that pollinates their crops. Bees generate \$19 billion a year through their work pollinating over 90 varieties of crops in North America alone, and scientists warn that there is no manufactured capital (technology) that can perform bees' vital function. If bee populations continue to decline, so will our ability to replenish the food supply.

If the planet as we know it is to survive and our story is to continue, we need to start taking natural capital into account. Indeed, in this moment of environmental crisis, we must subjugate our role to the momentous complexity and importance of the natural world.

Adapted from State of the World 2008, worldwatch.org.

**ASK YOUR PROF:
ARE WE SELLING OFF OUR
NATURAL CAPITAL AND
CALLING IT INCOME?**

OVERSHOOT



Competition for resources is fast becoming the defining force of the 21st century. Peak energy and climate change are compounded by a variety of factors – including food shortages, biodiversity loss, depleted fisheries, soil erosion and freshwater stress – creating a resource crisis that Richard Heinberg famously referred to as “peak everything.” In short, we are simply using more resources

than Earth can renew. Ecological footprint assessments – which most likely underestimate this ecological overshoot – document that humanity was demanding nearly one-third more than

Earth could renew in 2005. In other words, it took one year and four months to regenerate what humanity consumed in 2005. This condition of ecological overshoot will become increasingly pressing for the world as a whole if the United States and Europe continue consuming at current rates and if resource demands from countries like India and China keep growing along current trends. But these issues are not intractable.

Sustainability is in our direct self-interest. Many national leaders are still stuck in the mindset that to promote sustainability will hold back economies. In fact, nations that prepare themselves for living well in a resource-constrained world will fare far better than those who do not. As we enter an age of resource scarcity, national wealth will be increasingly defined by natural capital. In preparation for this shift, governments will need to adopt aggressive ecological footprint-

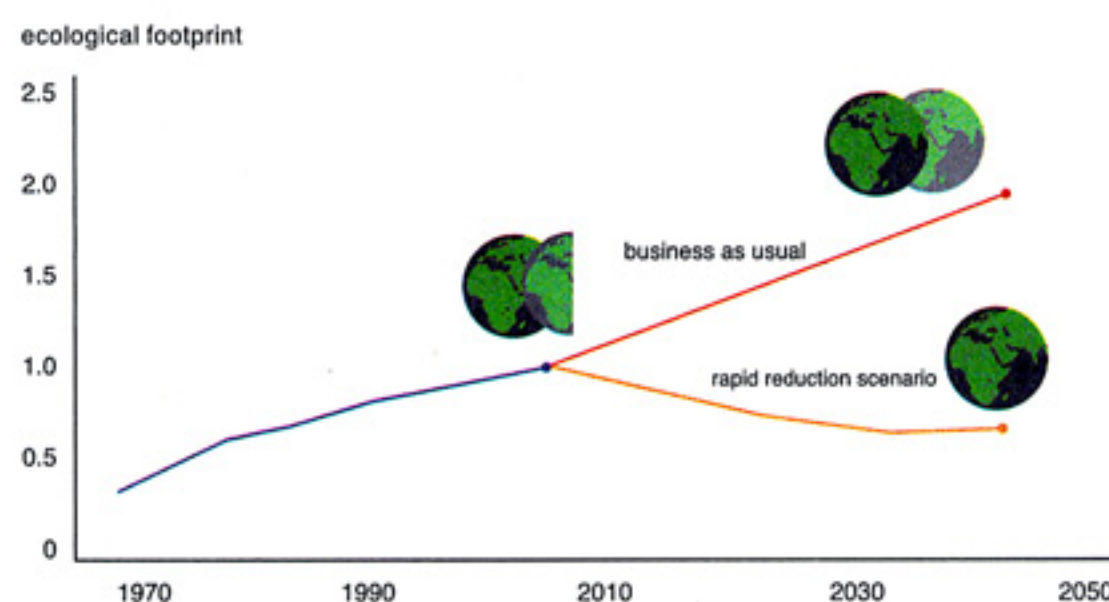
reduction strategies to protect their ecological reserves or to limit their ecological deficits. It is reducing – not increasing – resource use that will make them more competitive. Preparing now for impending resource constraints is a case of pure economics: we cannot promote prosperity and well-being without making our economies radically less resource-dependent.

Countries banking on business as usual and depending extensively on ecological resources from abroad will become extremely vulnerable, while countries with ecological remainders – Australia, Botswana,

Colombia and many others – will benefit from their competitive advantage. In 2005 only 20 percent of the world's population lived in such ecological creditor countries. In 1961, by contrast, when humanity was still using only half of the Earth's regenerative capacity, over 60 percent of the world population lived in ecological creditor countries. Ecological creditor countries are becoming increasingly rare and, therefore, also increasingly significant.

The bottom line is simple: cities, regions and countries that are not able to provide a high quality of life with a low footprint will be at a disadvantage in a resource-constrained future. And those with access to ecological resources will gain over those without.

Mathis Wackernagel is a founder and executive director of the Global Footprint Network and the author of *Sharing Nature's Interest* and *Our Ecological Footprint*.



THE BIG QUESTION:

IS



Progress

KILLING



The



PLANET?

PROGRESS



The gross domestic product (GDP) is not a measure of well-being or even of income, although it's widely portrayed as such in the media. It is actually a measure of overall economic activity: the annual market value of final goods and services purchased in a nation, plus all exports net of imports. "Final" means that intermediate goods and services – those that do not lead to further production – are excluded.

GDP does not subtract either depreciation of manufactured capital (roads and factories) or depletion of natural capital (fish and fossil fuels). GDP also counts so-called defensive expenditures in the plus column. These are expenditures made to protect ourselves from the consequences of the production and consumption of goods by others – such as the expense of cleaning up pollution. Defensive expenditures, however, are like intermediate costs of production and therefore shouldn't be included as a part of GDP. Some economists think that they should be included because they improve both the economy and the environment: We can all get rich cleaning up one another's pollution!

To go from GDP to a real measure of sustainable well-being requires many more positive and negative adjustments. These adjustments include uncounted household services (those performed for free by spouses); increased international debt; loss of well-being resulting from increasing concentration of

income (the well-being induced by an extra dollar for the poor is greater than that for the rich); long-term environmental damage (ozone layer depletion); and water, air and noise pollution. When all these adjustments are made, the result is the Index of Sustainable Economic Welfare (ISEW), developed by Clifford W. Cobb and John B. Cobb, Jr., and related measures. Ecological economists use these indices, but they are largely ignored in the field as a whole.

Since the 1980s in the US, it appears the negative factors in the ISEW have been increasing faster than the positive ones. Similar results have been found for the UK, Austria, Germany and Sweden. For some countries, the costs of growth are rising faster than the benefits. It's abundantly clear that we need more viable measures of economic well-being, and waiting to implement them may prove very costly.

Herman Daly was a senior economist at the World Bank. He is currently a professor at the School of Public Policy at the University of Maryland. This article originally appeared in *Scientific American*.

GENUINE PROGRESS INDICATOR

Amounts are in billions (US dollars).

(United States, 2004)

CONTRIBUTIONS

• Weighted personal consumption expenditures	+ 6,318.4
• Value of housework and parenting	+ 2,542.2
• Value of higher education	+ 828.0
• Value of volunteer work	+ 131.3
• Services of consumer durables	+ 743.7
• Services of streets and highways	+ 111.6
• Net capital investment	+ 388.8

TOTAL CONTRIBUTIONS TO THE GPI \$11,064.0

DEDUCTIONS

• Cost of crime	- \$34.2
• Loss of leisure time	- 401.9
• Costs of unemployment and underemployment	- 177.0
• Cost of consumer durable purchases	- 1089.9
• Cost of commuting	- 522.6
• Cost of household pollution abatement	- 21.3
• Cost of auto accidents	- 175.2
• Cost of water pollution	- 119.7
• Cost of air pollution	- 40.1
• Cost of noise pollution	- 18.2
• Loss of wetlands	- 53.3
• Loss of farmland	- 263.9
• Loss of primary forest cover	- 50.6
• Depletion of nonrenewable resources	- 1,761.3
• Carbon emissions damage	- 1,182.8
• Cost of ozone depletion	- 478.9
• Net foreign borrowing	- 254.0

TOTAL DEDUCTIONS TO THE GPI \$6,644.8
GPI 2004 \$4,419.2

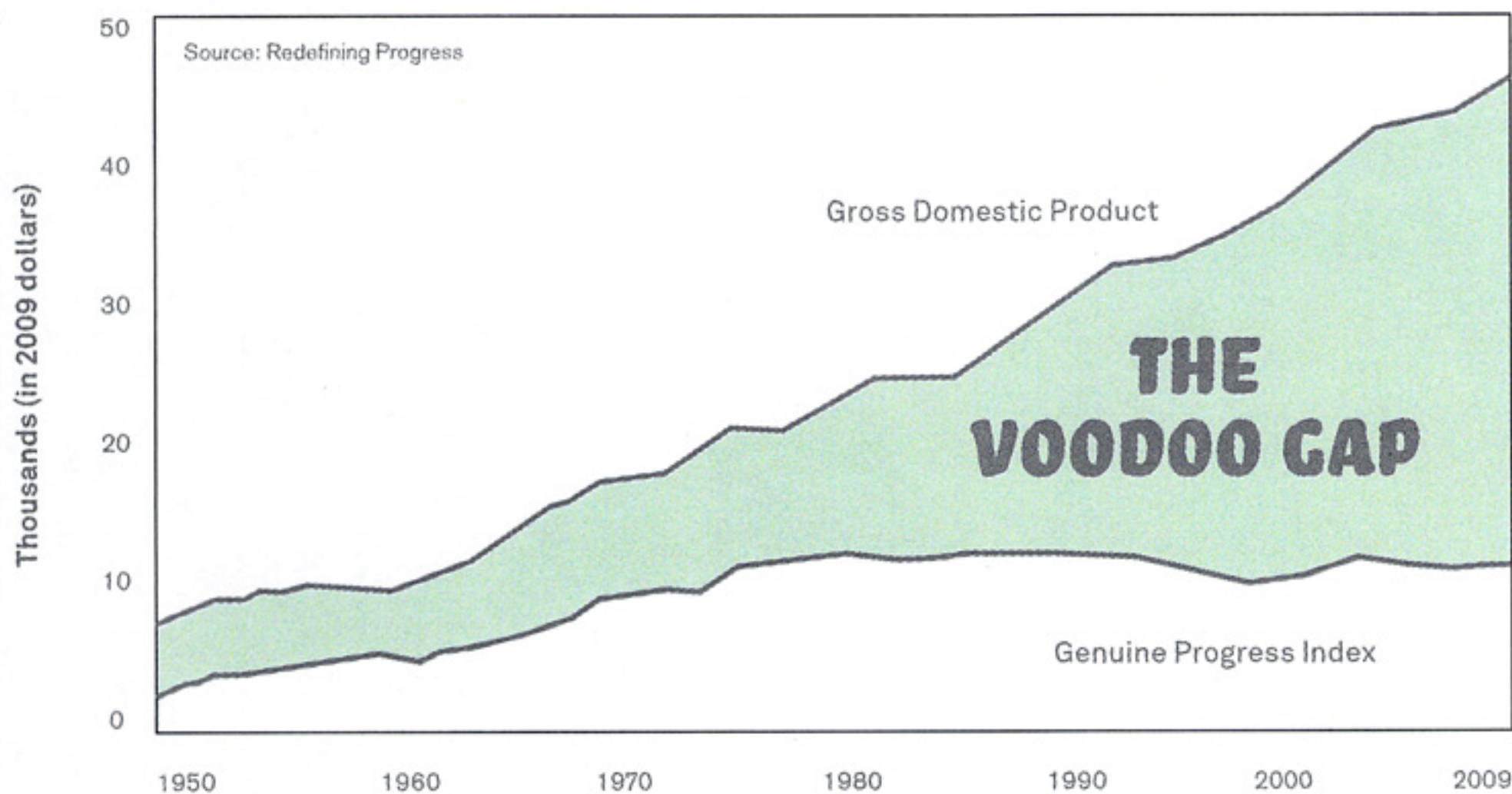
The Genuine Progress Indicator (GPI) is a new measure of progress that corrects the deficiencies of the Gross Domestic Product (GDP). Unlike the GDP, the GPI recognizes transactions that add to well-being and those that diminish it, such as the benefits of housework and volunteering and the costs of crime and pollution.

The GPI was developed by Redefining Progress in 1995. Since then economists have calculated GPIs for numerous countries, including the US, Canada, France, the Netherlands, Austria, England, Sweden and Germany.

America's GDP climbed steadily throughout the 20th century, providing a warm security blanket of "progress" for economists and policy makers alike. But when pollution, depletion of nonrenewable resources, crime and other social and ecological costs are introduced into the equation, the results aren't so bright. The Genuine Progress Indicator (GPI) – which accounts for these factors – levels off around 1975 and then starts to fall, revealing an ominous Voodoo Gap. —Sarah Berman

Tag it!

GDP and GPI per person, United States 1950-2009



The difference between science and economics is that science aims at an understanding of the behavior of nature, while economics is involved with an understanding of the behavior of models – and many of these models have no relation to any state of nature that has ever existed on this planet or to any that is likely to exist between now and doomsday. The word that comes to my mind when confronted by these fantasies is fraud.

F.E. Banks in *Truth and Economics*,
International Association of Energy Economics Newsletter

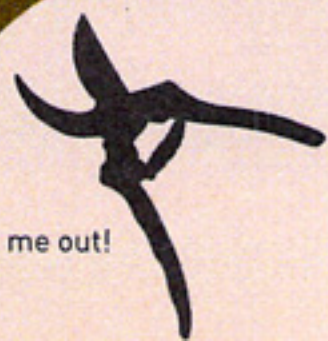
ASK YOUR PROF:

IS THE GLOBAL ECONOMY PROGRESSING OR REGRESSING? ARE WE GOING FORWARDS OR BACKWARDS?

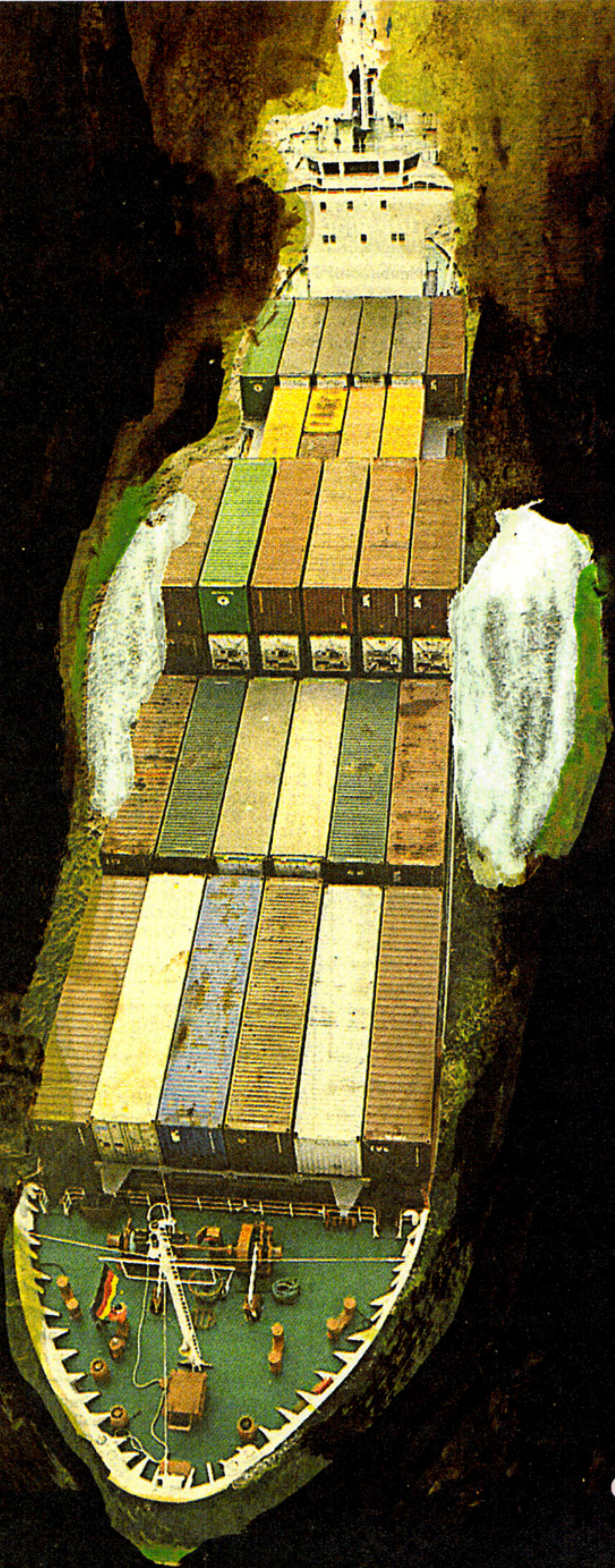
IF YOU CAN'T ANSWER THAT, THEN ON WHAT BASIS DO YOU GIVE POLICY ADVICE TO GOVERNMENTS?

LUTZ & GUGGISBERG, MASK,
2008, COURTESY GALERIE
FRIEDRICH BASEL

WHAT'S THE TRUE COST
OF ONE CONTAINER MILL?



Cut me out!



TRUE COST

What is the real cost of shipping a container load of toys from Hong Kong to Los Angeles? Or a case of apples grown in New Zealand to markets in North America? And what is the true cost of that fridge humming in your kitchen, that car purring on the road or that steak sizzling on the grill? Practically every one of the products we buy in the global marketplace is undervalued because the environmental costs haven't been taken into account. As a result, every one of the billions of purchases we make every day pushes the world a little deeper into the cosmic red.

But what if we were to implement this simple idea: *true cost*?

We calculate the hidden costs associated with products – what the economists nonchalantly refer to as “externalities” – and incorporate them. We force the price of every product in the global marketplace to tell the ecological truth.

We start with the little things: plastic bags, coffee cups, paper napkins. Economists calculate these eco costs – say it's five cents per plastic bag, ten cents per cup and one cent per napkin – then we just tack that on. We're already doing that with the various eco-fees and eco-taxes included in the price of tires, cans of paint and other products. But now we abandon the concept of ancillary fees and taxes and implement straight true-cost pricing.

Then, over a ten-year period, we phase in true-cost eating. We raise the price of avocados from Mexico and shrimp from China to reflect the true cost of transporting them long distances. And we estimate and add on all the hidden costs of our industrial farming and food processing systems. That burger at McDonald's will cost you more, so will most meats, produce and processed foods. You can eat whatever you want, but you'll have to pay the true cost. Inevitably, your palate will submit to your wallet. Processed, mega-farmed and imported foods become more expensive as the cost of organic and locally produced food goes down.

Bit by bit, purchase by purchase, the global food system heaves toward sustainability.

Then we phase in the true cost of driving. We add on the environmental cost of the carbon our cars emit, the cost of building and maintaining roads, the medical costs of accidents, the noise and the aesthetic degradation caused by urban sprawl and maybe even the military cost of protecting those crucial oil fields and oil tanker supply lines. Your private automobile will cost you around \$100,000 and a tank of gas \$250. You're still free to drive all you want, but instead of passing the costs on to future generations, you pay upfront. This would force us to reinvent the way we get around. Demand for monorails, bullet trains, subways and streetcars would surge. We would demand more bike lanes and pedestrian paths and car-free urban centers. And gradually a paradigm shift in urban planning would transform urban life.

True-cost pricing is fraught with daunting, seemingly insurmountable problems. For conventional economists, it's a frightening concept that would slow growth, reduce the flow of world trade and curb consumption. It would force us to rethink just about every economic axiom we've taken for granted since the dawn of the industrial age. It could turn out to be one of the most traumatic economic/social/cultural projects that humanity has ever undertaken. And yet ... and yet ... the idea of a global marketplace in which the price of every product tells the ecological truth has a simple, almost magical ring to it. It makes sense, it feels right, and it's totally nonpolitical. It's the one big idea that – if we are able to agree on it, implement it and muster the collective self-discipline to sustain it – could pull us out of the ecological tailspin we're in and nudge this failing experiment of ours on Planet Earth back onto the rails.

—KL



HAPPINESS

On a Tuesday morning in June, a Vancouver man named Salim and his beloved decided to get married. They tracked down a minister and a few hours later in Choklit Park, realized they needed a witness. I was crossing the street when I saw three people waving me over. "Sorry, I've got a meeting," I said, when they asked me to help. "It will take five minutes," the minister assured me. "We'll say the vows, you'll sign the registrar and then you'll be off." So in Choklit Park – overlooking Yaletown's office towers and million-dollar condos – Salim and his bride made their solemn oaths. I joined these strangers in a bubble of unexpected, collective happiness.

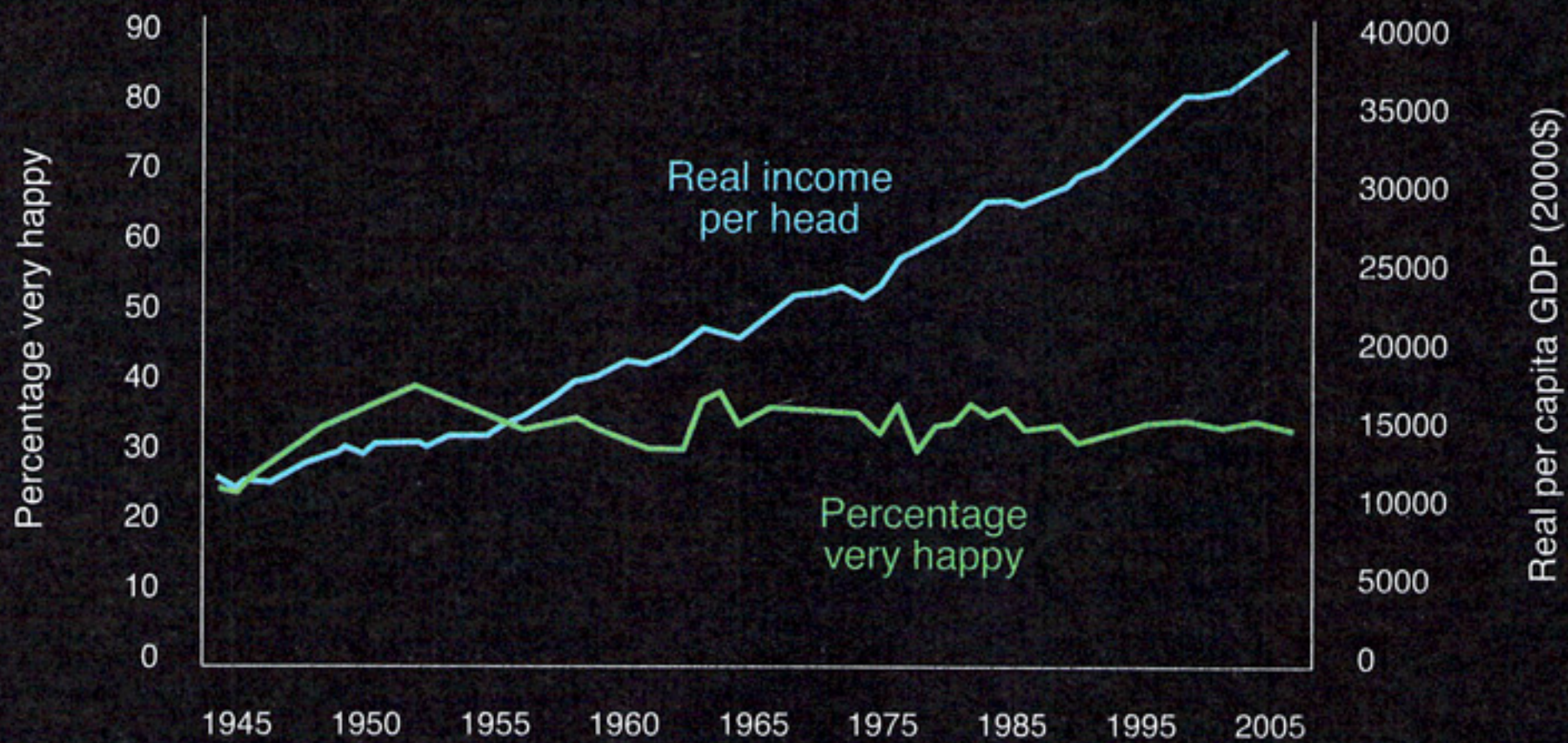
What can this bubble tell us about happiness and economics? Quite a lot.

For hundreds of years we have believed that increased material wealth makes us happier, and we have shaped our world accordingly. We have built big box stores along highways that can only be reached by car. We have built larger and larger vehicles that isolate us from others and emit dangerous levels of carbon. We work 40 hours a week – or more – to maintain this lifestyle. Why do we believe that making a lot of money makes us happy? "We didn't evolve with iPods and fancy cars," explains Christopher Barrington-Leigh, an economist at the University of British Columbia. "How could we possibly have a preset level of satisfaction that relates material things to how happy we are?"

While the world has certainly grown richer in the last 50 years, most happiness economists agree that happiness and life satisfaction levels have remained constant. The United States, for example, has failed to see higher happiness levels since the end of the Second World War, despite a quadrupling of their GDP. The *New York Times* recently reported that while incomes in China grew by 250 percent between 1994 and 2007, life satisfaction levels shrank drastically. The Easterlin Paradox, a theory developed in 1974, explains this phenomena: Money makes us happier until average incomes are achieved. After that, money's affect on happiness is greatly reduced.

So if Hummers and iPods won't make us happier, what will? Instead of concentrating on the accumulation of wealth, we should be concentrating on the quality of our human relationships. Social scientists and economists have shown that groups with strong social networks usually have lower crime rates, better child welfare and public health, and less political corruption ... all of which translate

Income and Happiness in the United States



Sources: Bureau of Economic Analysis (2007), T. Smith (1979)
(happiness data from the American Institute of Public Opinion
for 1946-71), National Opinion Research Center (2007)
(happiness data for 1972-2006).

The American Dream is often interpreted by scholars and the media as a “better, richer and happier life.” Mainstream economics claims to be measuring this ... using GDP as an indicator for happiness and the quality of our lives. The results inevitably equate spending money with increased happiness. This belief is slowly being challenged. Perhaps the most disturbing information to emerge from recent “happiness economics” is that while the American GDP has quadrupled since the Second World War, happiness levels haven’t increased as expected. We may be getting richer, but our lives aren’t getting better or happier.

into greater happiness and life satisfaction. Societies that are democratic, supportive of gender equality and more accepting of marginalized groups such as immigrants and homosexuals tend to be happier societies as well.

Back in Choklit Park, the minister handed me the marriage papers to sign. I was going to be late for my meeting, but something more important was going on. Salim and his new wife were trusting me to sign the document that could chart the course of their lives for many years to come. Married people generally report greater life satisfaction than unmarried people: One study suggests that

The United States has failed to see higher happiness levels since the end of the Second World War.

this marriage could produce the same happiness as a quadrupling of Salim's annual income. (Although if Salim's proposal was as whimsical as he said it was, the effect of his marriage could be similar to that of winning the lottery: a sudden spike in happiness that quickly diminishes.)

In the distance the downtown sector shimmered with economic productivity, but in Choklit Park we had enacted a microcosm of pro-social, financially neutral, happiness-inducing activity that would slip below the radar of mainstream economics. As Senator Bobby Kennedy famously said to a group of Kansas students: "[GDP] measures everything, in short, except that which makes life worthwhile." Will happinomics actually free us from the big box stores and the never-ending mutations of the iPod? Probably not. But people are paying attention. The government of Bhutan has been following a policy of Gross National Happiness since 1972, and French President Nicolas Sarkozy recently announced that happiness levels would be taken into account when measuring the country's economic performance. In the coming years, we can expect to find these ideas beginning to influence our government policies. In the meantime, we can open ourselves to our communities and reap the dividends of a rich social life.

Ian Bullock is a Vancouver freelance writer who is at work on his first novel.

**ASK YOUR PROF:
WHAT IS THE RELATIONSHIP
BETWEEN GDP AND
HAPPINESS?**



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LOE RUSSELL

WHAT WILL FUTURE GENERATIONS WISH WE HAD DONE?



FRESH PERSPECTIVES

In this section of the book we feature essays and manifestos by dissenters and mavericks from the front lines of the battle to overthrow the neoclassical paradigm.

- **Simon Jenkins**
Post-meltdown, economists unleash a deafening silence.
- **Robert Nadeau**
Debunks the obsolete science behind neoclassical ideology.
- **Julie Matthaei**
Advances radical debate in her ECON 101 classroom.
- **Paul Ormerod**
Human well-being and free market capitalism don't add up.
- **Michael Mannino**
What modern physics means for today's globalized economy.
- **Horacio Velasco**
Neoclassical economics is wholly indifferent to the complexity of the living condition.
- **Geoff Olson**
Economics can no longer deny chaos theory or the interconnectedness of nature.

WHEN THE GOING GETS TOUGH, ECONOMISTS GO VERY QUIET



©YASUTAKA KOJIMA

They're happy to take the credit in the good times, but the disciples of this false science are hard to find in a recession.

So the Footsie has tumbled again. Forgive me for asking, but where are the economists? As the nation is mired in a recession, an entire profession seems to have vanished over the horizon – like conmen stuffed with cash – leaving thousands destitute. They said recessions were over. They told politicians to leave things to them and all would be fine. Yet they failed to spot the subprime housing crash ... and now look at the mess.

When I studied economics we were told we would be masters of the universe. Our noble science had harnessed the verities of math to those of human behavior and would go on to conquer politics. Rampant recession would go the way of hyperinflation. Like leprosy and cholera, they were epidemics that modern science had rid from our shores.

It did not matter if the economists were welfare Keynesians such as Myrdal, Robinson and Galbraith or free-marketeers such as Marshall and Friedman. All were "social scientists." They claimed to have cracked the DNA of economic exchange – to have turned the base metal of money into political gold. We believed them. We believed the Keynesians until we slumped into stagflation. We believed that light-regulation capitalists such as Margaret Thatcher and Gordon Brown could convert boom-bust into an upward sloping plane of glory. We believed the Bank of England when it said that, in its hands, inflation was dead and prosperity eternal. It was bliss to be alive – and an economist.

If Britain were now in the grip of bubonic plague, there would be all hell to pay from some profession or other. An "influential" committee would be summoning the chief medical officer and subjecting him to the third degree. Why no national rat strategy? Why no crash inoculation?

The espionage pundits were likewise castigated for wrongly leading the nation to war against Iraq, for giving dud professional assessments on fallacious intelligence. The architectural profession has taken the rap (very occasionally) for the grotesque failures of public housing in the 1970s. Climate scientists may yet be damned for the costly lunacy of new energy sources, such as wind turbines and biofuels.

Yet economics is a Teflon profession. A quarter of a century ago, 364 practitioners wrote a letter denouncing the policies of the then Thatcher government as having "no basis in economic theory." They were wrong in fact and wrong in judgment. Thatcher's policies laid the groundwork for a strategic shift in the underpinning of British prosperity. There was no inquiry, no hearing, no peep of retraction or remorse. Since then economists have flooded into government; there were roughly a thousand at the last count. What do they all do? Despite reports of demoralization in the Treasury, that department remains the home base for public sector management through financial aggregates. During the Blair/Brown era it has held government in thrall.

Economic managers have always claimed credit for the success of Brown's Treasury regime. They have espoused quantifiable outputs, targets and delivery indicators. They invented the celebrity consultant and the maxim that only what is measured matters. Above all, the economics profession (and its house journal, the *Economist*) was ecstatic when Brown delegated monetary control to the Bank of England. This was supposed to isolate the economy from political pressure, subcontracting the regulation of interest rates and markets.

Today we are older and wiser. Controlling the agencies of credit has proved beyond the finest professional minds in the game. Where now are the effortless pundits of the Treasury and the Bank of England? Where now the gilded ones of Moody's and Standard & Poor's, credit raters to the mightiest in the land?

Alan Greenspan, former chief of the US Federal Reserve Board and a Brown adviser, is unrepentant. He recently declared that "anticipating the next financial malfunction ... has not proved feasible." There is nothing so unseeing as a wronged economist.

When the shit hits the fan, economists always blame politicians. They would have some justice if they did not take credit when things go right. I was

always uncomfortable at the overselling of economics as a science, when it is rather a branch of psychology, a study of the peculiarities of human nature. Its spurious objectivity, manifest in its ridiculous love affair with math, induced a "Jupiter complex," a conviction that scientific certainty, applied with enough rigor to any problem, triumphs over all.

Economic management is and always will be about politics, about the clash of needs and demands resolved through the constitutional process. The delegation of interest rates to the Bank of England worked when it ran in parallel with politics, but not anymore. Now that reflation seems urgent for recovery, the system is biased against common sense, yet no politician dare tell the Bank to cut rates and risk inflation.

The newest craze is "nudge" economics, from Americans Richard Thaler and Cass Sunstein. They put the subject firmly among the behavioral sciences – if not the arts. Human actions are too mysterious and unpredictable to be liable to quantification and modeling. They are responsive to what the academic Paul Ormerod called "butterfly economics." Nudge steers, but does not order or plan.

This requires knowledge of the working of markets, incentives, expectations and panics. But converting microeconomics into macro has always been a dangerous game. Much has been made of the success of Spain's dirigiste banking regulators in putting security before runaway profit. But this was a triumph of politics over economics. Greenspan may laconically remark that "we can never have a perfect model of risk," but we can have alertness to risk and we can have caution.

Economics has long traded on being a science when it is not. For a third of a century since the 1976 IMF crisis, it has enjoyed great influence over British policy. Now it has met its Waterloo and a little humility would be in order. Once again economics must be rescued by that true master of all things: politics.

Simon Jenkins, "When the Going Gets Tough, Economists Go Very Quiet," *Real-World Economics Review* no. 47. This article first appeared in the *Guardian*, www.guardian.co.uk.

The New York Times Style Magazine

DROWN IN STYLE



Snip it out!

Unscientific Assumptions in Economic Theory are Undermining Efforts to Solve Environmental Problems

The 19th-century creators of neoclassical economics are credited with transforming their field into a scientific discipline. But what is not widely known is that these legendary economists – William Stanley Jevons, Léon Walras, Maria Edgeworth and Vilfredo Pareto – developed their theories by adapting equations from 19th-century physics that eventually became obsolete. Neoclassical economics has also become outdated. The theory is based on unscientific assumptions that are hindering the implementation of viable economic solutions for global warming and other menacing environmental problems.

The physical theory used as a template for neoclassical economics was conceived in response to the inability of Newtonian physics to account for the phenomena of heat, light and electricity. In 1847 German physicist Hermann von Helmholtz formulated the conservation of energy principle and postulated the existence of a field of conserved energy that fills all space and unifies these phenomena. Better explanations for electromagnetism and thermodynamics were later devised, but economists had borrowed and altered Helmholtz's equations.

The strategy the economists used was as simple as it was absurd – they substituted economic variables for physical ones. Utility (a measure of economic well-being) took the place of energy; the sum of utility and expenditure replaced potential and kinetic energy. A number of well-known mathematicians and physicists told the economists that there was absolutely no basis for making these substitutions. But the economists proceeded to claim that they had transformed their field of study into a rigorously mathematical scientific discipline.

Strangely enough, the origins of neoclassical economics in mid-19th century physics were forgotten. Subsequent generations of



mainstream economists accepted the claim that this theory is scientific. These curious developments explain why the mathematical theories used by mainstream economists are predicated on unscientific assumptions: a) the market system is a closed circular flow between production and consumption, b) natural resources exist in a separate domain, c) the costs of damage to the natural environment lie outside the market system, d) nature's resources are largely inexhaustible, e) there are no biophysical limits to the growth of market systems.

If the environmental crisis did not exist, the fact that neoclassical economic theory provides a coherent basis for managing economic activities in market systems could be viewed as sufficient justification for its widespread applications. But because the crisis does exist, this theory can no longer be regarded as useful even in pragmatic or utilitarian terms because it fails to meet modern fundamental requirement of any economic theory – that it allows economic activities to be coordinated in environmentally responsible ways on a worldwide scale. Because neoclassical economics does not even acknowledge the costs of environmental problems and the limits to economic growth, it is one of the greatest barriers to combating climate change and other threats to the planet. It is imperative that economists devise new theories that will take all the realities of our global system into account.

Robert Nadeau is a professor of environmental science and public policy at George Mason University. His recent books include *The Wealth of Nature* and *The Environmental Endgame*. This article first appeared in *Scientific American*.

CONFESSIONS OF A RADICAL ECONOMICS PROF

*Julie Matthaei, professor of
economics, Wellesley College*



Wellesley hired me in 1978 as the college's first and only radical economist. I was hired in response to student pressure: while doing their junior year studies abroad, students had been exposed to theories other than mainstream American neoclassical economics and they wanted these views represented at school. The department posted a job for someone to teach what they called "competing paradigms of economics." I was a PhD candidate in economics at Yale, where I studied with David Levine (Yale's one Marxist economist ... he didn't get tenure). I applied and was hired.

All Wellesley economics faculty were required to teach two of the required "core" courses. I was assigned to introductory and intermediate microeconomics and given the mainstream textbook, but I refused to teach mainstream economics straight. Instead, I presented the material in the textbook, critiqued it and taught the outlines of the alternative, radical view. I remember feeling that by criticizing the economics bible I was engaging in a deeply subversive activity. I used to imagine that a huge arm would reach into the classroom, pick me up and carry me off. Luckily nothing of the sort happened. Instead,

based on my popularity with students and the success of my first book, *An Economic History of Women in America*, I received a permanent, tenured position.

Once tenured, I could relax a bit and take more risks with my teaching. I began to realize that my critiques of mainstream economic theory and advanced capitalist economy seemed to be backfiring. From the very first time I presented the supply and demand framework to my intro econ students, for example, I pointed out that supply and demand curves only determine prices in perfectly competitive markets ... which don't exist. I considered this key to my students' education, especially since mainstream economists apply the framework inappropriately so often, yet many of them continued to forget this key fact on their tests.

Teaching about market equilibrium, a situation in which there is neither shortage nor surplus of a product, presented another particularly bothersome failure. I always took care to explore the fact that equilibrium – where the supply and demand curves cross, and quantity supplied equals quantity demanded – does not mean that everyone is happy, or that

basic needs are met. Many people could, in fact, be starving because they are too poor to be able to “demand” what they need. Even when no lines or shortages exist, people can still be dying from starvation. Despite my lessons, many of my students were unable to point out the falseness of the statement “everybody is happy in equilibrium” on their tests. They left my class accepting the free market/neoliberal line that government policies which intervene in markets – such as minimum wages or rent control – are inherently bad because they prevent markets from getting to equilibrium. I wanted to pull my hair out. It seemed the more I critiqued mainstream economics, the more I strengthened its hold on most of my students.

At first I tried to heighten my criticism of mainstream economic theory, and to begin it earlier in the course. I would criticize supply and demand curves and marginal utility curves before I even drew them. As I taught the

power by focusing on small, helpless firms controlled by sovereign consumers who – when market failures made it necessary – use their votes to get the government to intervene on their behalf. I was amused – and dismayed – to find that many of my students’ exams showed they actually thought I had been teaching them about two different countries!

Even as I adjusted my teaching to make sure my students understood that these were two views of the US economy, however, I realized another problem. The students who believed in the radical view were also convinced that large corporations were so powerful that nothing could be done about them. Instead of inspiring my students to radical activism, I had taught them to be cynical and resigned about the prevailing economic dysfunction and injustice. If they couldn’t do anything about it, they figured, why not at least get rich by becoming an investment banker?

*“Once tenured, I could relax a bit
and take more risks with my teaching.”*

theories, I would interlace critique in virtually every sentence. This approach, however, frustrated my students: why was I teaching it to them if it was wrong? How could they learn the material if I didn’t present it to them completely before attacking it? While some of my students – usually those who were radical themselves – understood and appreciated my criticism, many of them found it confusing, alienating and discouraging.

A similar problem emerged with my radical critique of advanced capitalism. My classes on radical economics presented the neo-Marxist view that large corporations dominated the economic landscape: oppressing workers, brainwashing consumers through advertising to keep them enslaved by the work/spend cycle and manipulating the government to do their bidding through campaign financing and bribes. I juxtaposed this view with that of our mainstream text, which obscured corporate

Then I learned about the spiritual principle of non-reaction. When you react to someone, you are letting him determine your behavior rather than choosing it yourself. My teaching was largely reactive: by centering on a critique of the text I was continually “reacting” to the book rather than achieving my goal of demolishing mainstream economics – in my students’ heads and in the world. My radical critiques of large corporations were also a reaction, and only emphasized corporate power to such a degree that it made my students feel helpless.

I began to evolve a new way of teaching that focuses less on mainstream economic theory and powerful, profit-motivated corporations. Now we begin the term identifying both pressing economic problems and the global warming crisis. I point out the problems associated with consumers, workers and firms acting in self-interested and materialistic

I'M FAIRLY CERTAIN MOST ECON 101 CLASSES DO NOT BEGIN BY PLACING THE STUDENTS IN FRONT OF A VIDEO CAMERA.



REC

Presumably, professors don't usually ask each student to describe to her classmates – with a camera rolling – what she thinks economics is and what she hopes to learn from the course, whether it's how to make money, predict the stock market, balance a budget or understand government policies. But then again, most classes are not taught by a self-described “feminist, Marxist, anti-racist, ecological economist.”

Professor Julie Matthaei began each lecture with a moment of silent meditation. She invited us to calm our minds so that we could focus on the task at hand: mastering the principles of microeconomic theory. Then Professor Matthaei taught us the mainstream school of thought on supply and demand, trade, competition and government regulation (how businesses decide what amount to produce and how to produce it, and how consumers decide how to spend their limited resources). My peers and I were thoroughly schooled in traditional economic theory ... then came the twist. We were instructed to question the theory we had just been taught – to evaluate how well mainstream theory matches the conditions of the real world, and how effectively our current market system truly increases welfare.

Instead of simply accepting that the best possible economic decision is the one that maximizes GDP, for example, we considered the widespread effects of an action. Would many people benefit from a particular business decision or government policy, or would only a select few benefit at the detriment of the environment and everyone else? Would the benefits be distributed evenly across race, sex and income levels?

Generating a profit is certainly an important business goal, but we learned that companies should consider having more than one “bottom line.” They should strive to be good citizens and focus on using their products and operations to improve the well-being of their workers, consumers and the communities in which they operate. I don't believe we were taught to demonize corporations or CEOs, instead we examined the structure of the current dominant economic system and how that structure could be tweaked to best serve humankind and the planet.

Professor Matthaei not only taught us to critically examine our economic system, but also to explore our roles within it. We learned that as consumers, we can use our purchasing power to demand organic, local and sustainable products. As taxpayers, we can vote for a minimum wage that keeps pace with inflation (at least) and a government that responds to the threats posed by global climate change. As future business owners and employers, we can strive for a diverse workplace free from discrimination. And as young people, we have the opportunity to create an egalitarian and environmentally sound economy.

Whatever we each said we hoped to learn on that first day of class, we certainly learned much more.

Katherine Clifford majored in environmental studies at Wellesley College with a minor in economics, she now works as an economist for an environmental consulting company.

ways. I present, discuss and give examples of the emerging “solidarity economy,” which is based on socially responsible or “high road” economic values, practices and institutions: ethical consumption, fair trade, socially responsible corporations. This puts materialistic competitive consumerism and traditional profit-motivated corporations on the defensive. From this point of view one wonders why anyone ever believed that a solely profit-motivated corporation, dedicated to serving its owners (the stockholders), would be able to do right

they are supplemented by other concepts and understandings. The supply and demand curve framework, for example, can be very helpful in elucidating problems in contemporary labor markets – such as below-subsistence level wages caused by an excess of labor.

I no longer teach my student about corporate power as an overpowering monolithic force but as something which has to be continually constructed through the collaboration of consumers, workers, managers, government officials and laws. I show them

“I no longer teach the core aspects of mainstream microeconomics as some superpower theory.”

by its other stakeholders: consumers, workers, suppliers, government and the environment. Or why anyone would imagine that buying more and more material things would bring true fulfillment.

One of my most successful assignments this term was based on the PBS documentary *Affluenza and Me*, which analyzes contemporary consumer culture in the US as an illness. The symptoms of this “affluenza” are overwork, time shortage, debt, breakdown of family relationships, ecological destruction, etc. We also read and discussed an excerpt from P.A. Payutto’s book *Buddhist Economics*, which presents enlightened consumption as building well-being through resistance to advertising and cravings, knowledge of one’s true needs and service to the whole.

I no longer teach the core aspects of mainstream microeconomics as some superpower theory. I now present microeconomics as a theory that understands some aspects of the economy but misses others. It’s a theory whose models can only be used if their limitations are acknowledged, and if

that it is something that needs to be radically reconstructed through socially responsible behavior.

I teach my students how to make their microeconomic decisions – as consumers, workers, entrepreneurs, parents and citizens – in ways that create well-being for themselves and their loved ones. I teach them how to use their economic power to express and actualize their deepest values – to repudiate the false god of money and the prevailing economic religion of the market. I teach them that enlightened self-interest involves behaving in a socially responsible manner, since we all depend on each other ... and on the whole. We all have to do our part to save both the planet and ourselves – there is plenty that we can do by aligning our economic decisions with our true values.

Julie Matthaei is an economics professor at Wellesley College and a cofounder and board member of the US Solidarity Economy Network (www.ussen.org). She coedited *Solidarity Economy: Building Alternatives for People and Planet*, available at www.lulu.com/changemaker.

Elite



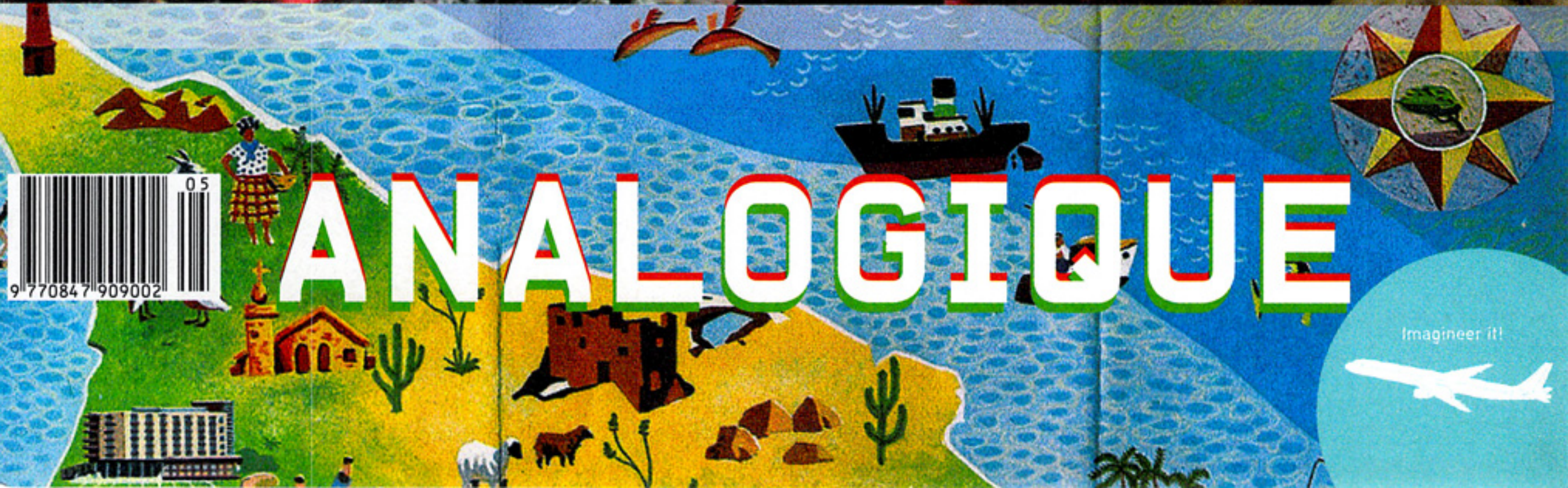
ОДИН КАР
БІР СУМ
БІР МАНАТ • VIENAS RUBLIS • О РУБЛЭ

CRAIG CAMERON OLSEN





ED KASHI



ANALOGIQUE



Imagineer it!



CAN ECONOMISTS IMPROVE THE HUMAN CONDITION?

by Paul Ormerod



“Do you need math to study economics at university?” is a question I often get asked. Here is a cautionary tale for anyone who still has illusions about the relationship between the two disciplines. A friend of mine teaches economics at Cambridge, England. Recently she had a first year student who was very good indeed at math. So much so that he complained there wasn’t enough of it in his course. For his second year, he was sent on an exchange to the other Cambridge: the Massachusetts Institute of Technology. Emails of an increasingly desperate nature began to whiz back to my friend across the Atlantic. The final one said simply: “Help! Please let me back home. There isn’t any economics in this course. It’s all math.”

Things are not quite so bad in most places, but math is becoming increasingly pervasive in economics. Just for the record, at the right time among consenting adults, I too use math. There are both good and bad reasons for employing it in the service of economics. So far mainly the bad ones have prevailed.

It wouldn’t matter much if policy makers didn’t take economics so seriously. Hardly anyone bothers about some of the lunacies in literary theory, for example. But economics matters and, at the frontiers of the discipline, a subtle but profound shift is taking place. Economics is starting to become more realistic, more rooted in institutions, in history, in the real world and, as a result, more useful.

That is, in fact, how economics started off in the first place. Only then it wasn’t called “economics” but “political economy,” symbolizing the fact that economies do not

exist independently of political systems and institutions.

Adam Smith single-handedly founded the discipline of economics over 200 years ago, and his influence is profound even today. Yet his seminal book *The Wealth of Nations* contains no equations at all. Instead Smith uses carefully constructed arguments supported by a wealth of historical evidence.

English stockbroker David Ricardo, author of *On the Principles of Political Economy and Taxation* (1817), is less well known – but the standard economic theory of trade is still based on his work. More than a century later, two figures from opposite ends of the political spectrum made wide-reaching contributions to economics. John Maynard Keynes was trained as a mathematician at Cambridge, switching later to economics. Friedrich Hayek, the intellectual inspiration for Thatcherism, had deep insights in psychology as

well as in economics. Ricardo, Keynes, Hayek and a host of other key figures in economics studiously avoided math. Instead they used thoughtful arguments backed up by evidence.

So how has math come to be so pervasive in economics, when so much was achieved without it? The worst reason is that the use of math makes economists feel like they are proper scientists. They suffer from deep “physics envy.” Physicists have to use math. (Try doing quantum physics in words.) And they are real scientists, who really have explained how lots of things really do work. So if we use math, that makes us real scientists, doesn’t it? Well, the logical error in this last sentence is pretty obvious. But it doesn’t stop the inner glow of satisfaction that most economists feel when they cover the page in mathematical symbols.

There is a more serious and more damaging reason why math, or at least a particular kind of math, is used in economics. This is inextricably linked with the concept of “economic man.” Economics is essentially a theory about how individuals behave. And the standard theory not only assumes that individuals are self-interested, but that they behave like some sort of supercomputer – always gathering every bit of information relevant to a decision. These individuals then make the best possible decision out of all available options. Not just a good decision, but the very best. Or, as economists like to say, *optimal*.

There is a whole branch of math devoted to optimal solutions: differential calculus. It is the ideal tool for a theory stating that individuals behave in a way optimal for them, given their tastes and preferences. So, for example, if you eat junk food and weigh 300 pounds as a result, or if you drink heavily and destroy your liver, or if you smoke and get cancer, hey, that’s *your* choice. You must have been making what you believed to be the best possible lifestyle choice for you, and calculus can prove it!

This is still the basis for a lot of the economics taught in university. Yet, paradoxically, it has been precisely the use of math within economics that has undermined this view of the world. It’s also a reason why

the subject is moving on dramatically.

Math can be very useful in economics provided that we think of it simply as one tool among many. It is a tool that can assist us in logical thinking. It’s like another language – it can help us find our way around.

Math has helped economists understand the implications of the economic man theory of behavior. After more than a century of research, economists determined that the theory is a marvelous intellectual construct, but a completely empty box. It has no testable implications. When economists say “demand curves slope downwards” or “people are paid what they are worth,” they have no theoretical basis for making these assertions. We cannot logically deduce from the theory of economic man behavior that either of these statements, both widely used by economists, are true.

Pioneers like the 2001 Nobel laureates George Akerlof and Joseph Stiglitz moved the subject on in the 1970s. They realized something else was needed, so they abandoned the idea that people have perfect information when they make decisions. They developed the concept of “bounded rationality”: the idea that though we may try to make the best decision, we may not succeed due to a lack of vital information. So in a world of bound rationality, people who binge on junk food or smoke heavily are *not* necessarily seen as making the best possible decision for themselves. The work of Akerlof and Stiglitz was a huge step forward in making economics more realistic.

Daniel Kahneman and Vernon Smith, the 2002 Nobel winners, made even bigger strides with their work. They actually went out into the world and conducted experiments to see how people really do behave. Observing and deducing just like real scientists! And they found that most of the time people don’t behave like the economic man at all. In his Nobel lecture, Kahneman stated: “The central characteristic of agents [people] is not that they reason poorly, but that they often act intuitively. And the behavior of these agents is not guided by what they are able to compute, but by what they happen to see at a given moment.”

In other words, the whole concept of a rational, calculating economic man is being abandoned completely. The economic man theory postulates that people have all the relevant information to make the best possible decision. In this new approach people have – at best – imperfect information ... they stumble along, trying to make reasonable decisions, sometimes succeeding but often failing.

The rules of behavior people use depend on the specific time and place. When the Soviet

Kick it over!



Union fell, for example, the policies forced on Soviet markets – based upon economic man – were disastrous. They led to theft and asset stripping on a stupendous scale and a massive fall in living standards. The policies failed to account for the fact that Russia and the other nations of the Soviet Union had little or no experience of how markets worked. Above all, they failed to take into account that in the West there are very few pure “free markets” – institutions, law, custom and practice all mediate the workings of markets. An outdated view of the world forced these tired policies on the Russians.

The new approaches that have developed to replace the economic man, perhaps surprisingly, make economics much harder. Instead of just manipulating some equations, we have to think hard about what the relevant rules of behavior are in any particular context. And we have to restore the importance of institutions and history. In short, we have to restore the idea of political economy in a totally modern guise. Hayek is mistrusted by many, but there is a profound truth in his remark: "An



**WHO
GROWS UP
HAPPIER? THE
SUBURBAN
KIDS IN
NORTH
AMERICA OR
THE KIDS IN
THE SLUMS
OF DHAKA?**

economist who is only an economist cannot be a good economist."

All this makes economics more humble. Instead of claiming a completely general theory of behavior – applying to all people at all times in all places – economics is now much less grandiose. But ultimately, these changes will serve to make the discipline more realistic ... and potentially more powerful as a force for helping to understand and improve the human condition.

Paul Ormerod studied economics at Cambridge University and did a postgraduate degree at Oxford. He is the author of *The Death of Economics*, *Butterfly Economics* and *Why Most Things Fail*. Download some chapters from his website, www.paulormerod.com.

PERCENTAGE
OF AMERICAN
HOUSEHOLDS

100

75

50

25

1900

1915

1930

1945

TELEPHONE

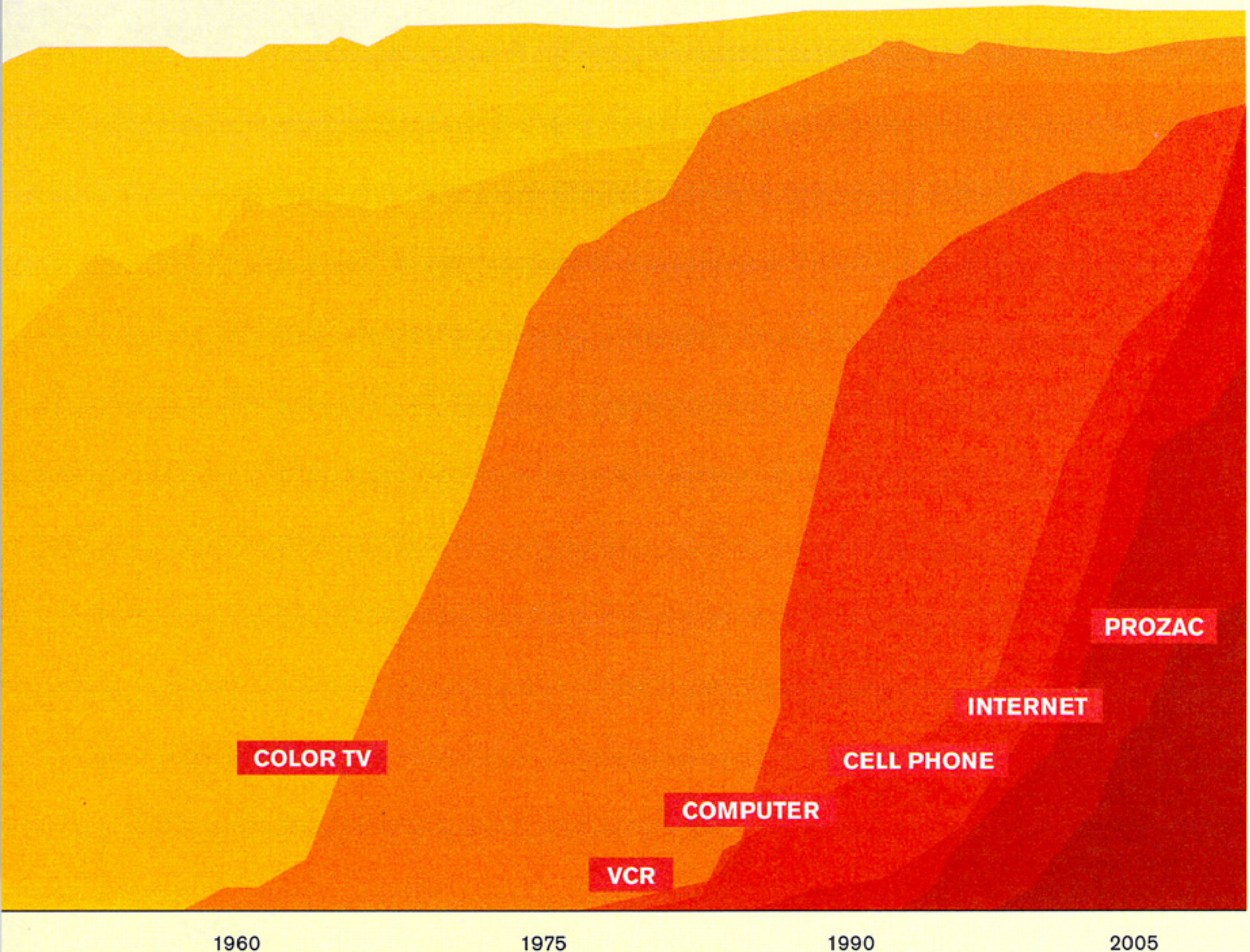
AUTOMOBILE

RADIO



We were high on the thrill of early capitalism. We loved the cars, the airplanes, the endless aisles of mega marts teeming with mass-produced goodies. We loved the validation that each new purchase brought. And then came the technology: the flat screens, MacBooks, iPhones and Xboxes. Every technological breakthrough made us feel more connected, more human and more whole. But then the economy collapsed and we began to tumble ... suddenly we weren't so sure anymore. The line between necessity and luxury – once blurred beyond distinction – came into sudden, violent focus. What pleasure is there in a 50-inch plasma if you don't have a wall to hang it on? What joy does a brand new automobile bring if climate change looms large on the horizon? The wisdom of credit, and the attendant practice of living well beyond our means, suddenly hit home. And now, as belts tighten and paradigms crumble, we are beginning to hear the first whispers of a post-consumer era ... the dawning of a post-materialist age.

ARE YOU HAPPY YET



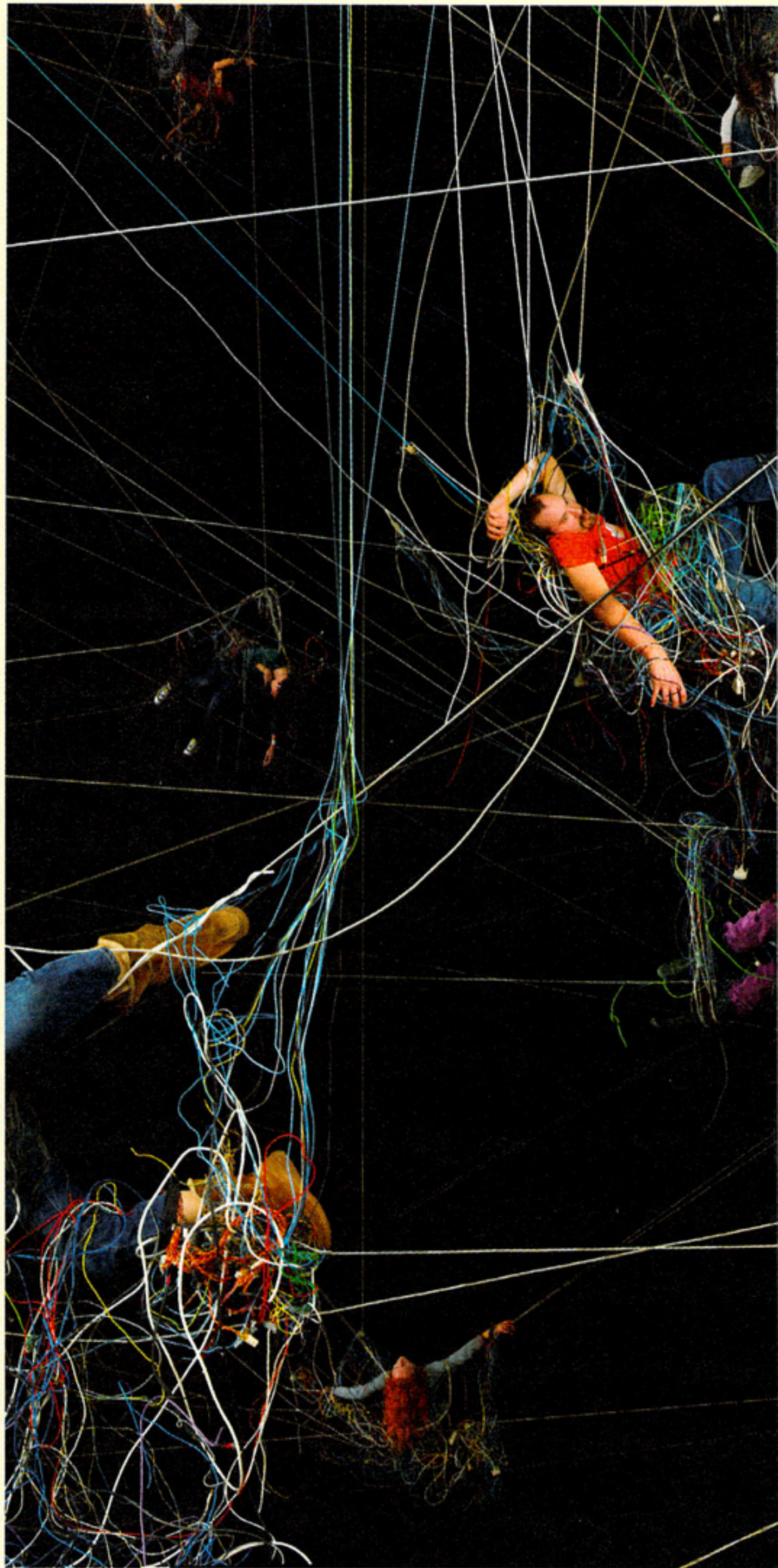
POST-PYTHAGOREAN ECONOMICS

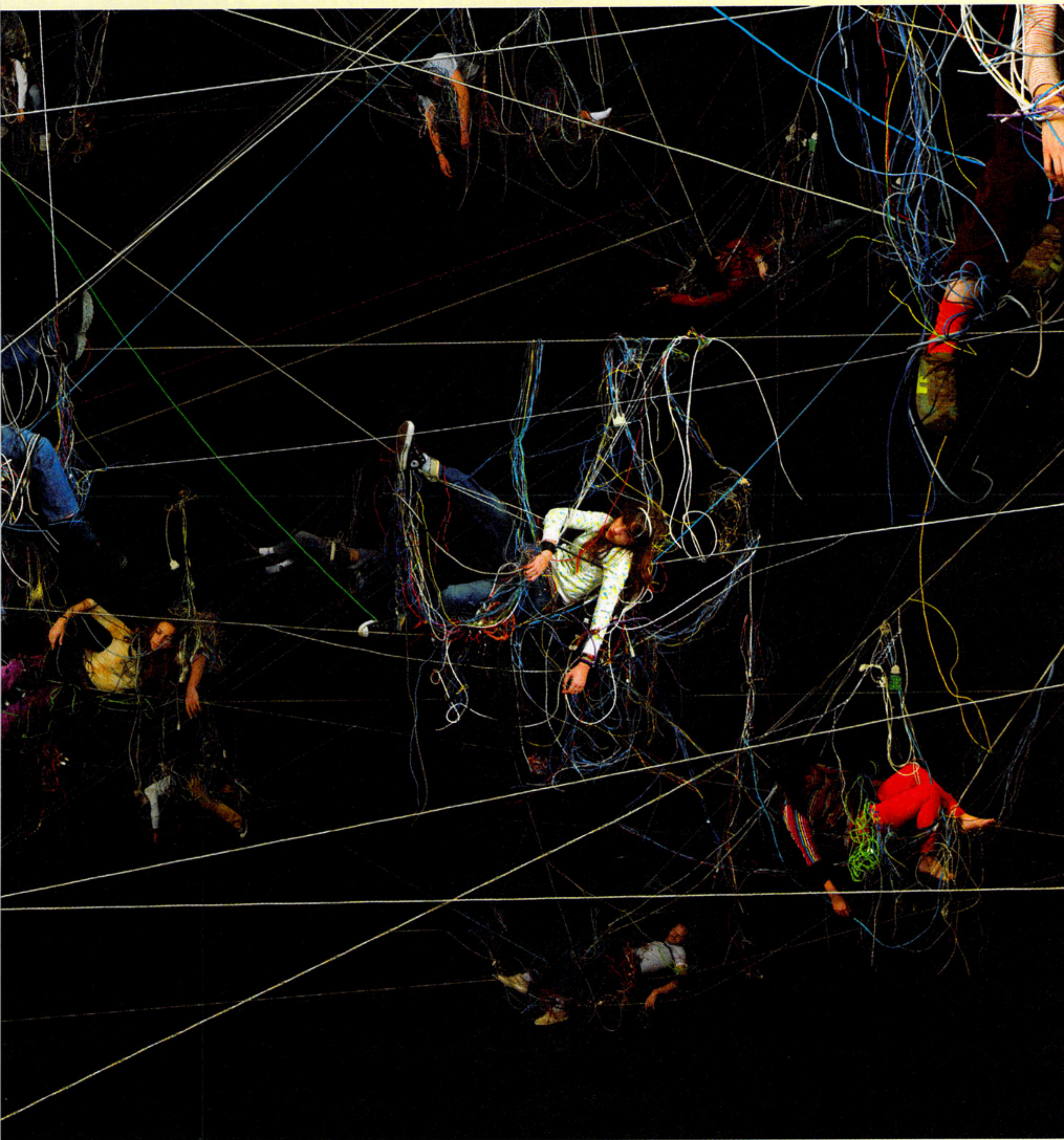
by David Orrell

Pythagoras was born around 570 BC. He spent his youth traveling to Egypt, Syria and Babylon, where he immersed himself in the mystical teachings of the East. At the age of about 40, he established his own quasi-religious cult in Crotona, southern Italy. His teachings attracted hundreds of followers, some of whom suffered severe privations – including a five-year vow of silence – to become a part of his inner circle, known as the *mathematikoi*.

The cult's philosophy was based on reason and number. To the Pythagoreans, number was all. Each number had a special, almost magical meaning. The monad, unity, represented the original unity from which the universe was created, and was associated with divine intelligence. The dyad, two, represented the division of this unity into duality. (The even numbers, which contained the number two, were therefore seen as representing weakness and mutability.) Three represented all things with a beginning, middle and end. Four represented completion – like the four seasons.

The most perfect number was the decad, ten. The sum of one, two, three and four, it represented the totality of forces that make up the universe. In reference to the decad, the Pythagoreans compiled a list of ten opposing principles, which divided phenomena into two classes:





good	evil
limited	unlimited
odd	even
one	plurality
right	left
male	female
at rest	in motion
straight	crooked
light	darkness
square	oblong

By aligning themselves with the qualities in the first column, the Pythagoreans believed they could achieve purity and become closer to the gods.

The reasons why they chose these ten pairs has puzzled scholars from Aristotle on, but some can be guessed at. In Pythagoras's philosophy, for example, the universe consisted of two components: the Limited, which signified order, and the Unlimited, which represented chaos and plurality. The former was associated with the monad and odd numbers, the latter with the dyad and even numbers. Pythagoras's biographer, Iamblichus, wrote: "The right hand he called the principle of the odd number, and is divine, but the left hand is the symbol of the even number and of that which is dissolved." The right hand is controlled by the left side of the brain, which we now associate with linear, logical reasoning of the sort championed by the Pythagoreans. This preference for the right hand has passed on through language – the word "sinister" comes from the Latin *sinestra*, meaning left.

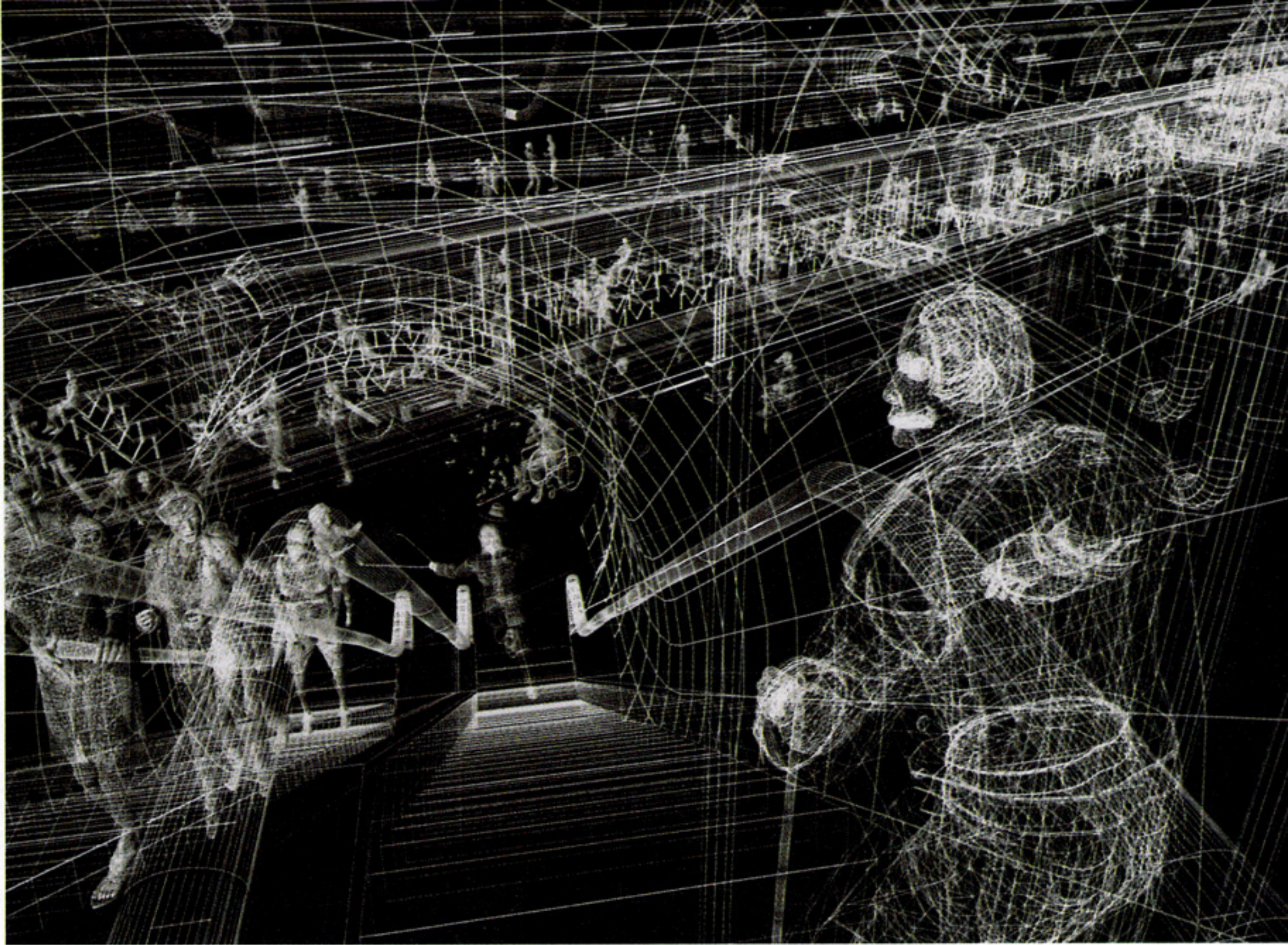
So what does all this ancient, mystical stuff have to do with the hard, cold logic of neoclassical economics – which views humanity as a mere aggregate of rational, self-interested actors? The model for economists has long been Newtonian, mechanistic physics, which, in turn, is explicitly based on Pythagorean thought. So this list of pairs is like two complementary strands of the DNA of economics. Consider that neoclassical economics:

- is based on the idea of scarcity and emphasizes limited resources like oil at the expense of unlimited resources like wind;
- rejects uncertainty and duality (symbolized to the Pythagoreans by evenness);
- is based on the primacy of the individual (one) over society (plurality);
- values right-handed logic, ignoring emotion and left-handed thought;
- is based on a male paradigm that undervalues things like childcare;
- sees the economy as a static system, maintained at rest by the invisible hand of capitalism;
- uses a simplistic, linear (straight) approach to model complex, nonlinear (crooked) phenomena;
- attempts to shine the light of reason and observation over the economy, rejecting the indeterminacy (darkness) of human systems;
- reduces complex and often strongly biased social and political systems to the simple symmetry (squareness) of mathematics.

Neoclassical economists are Pythagoreans. They still think that number is all. And they are still trying to find good and attain Utopia by aligning themselves with the first column of this ancient list.

Since the 1960s, a number of new sciences have emerged that directly challenge the Pythagorean paradigm. Fuzzy logic, fractals, network theory and nonlinear dynamics deal with systems that are indeterminate, crooked, plural and in motion. Feminists and ecologists have also pointed out the defects in the neoclassical system. As economists incorporate these voices and developments, we will come nearer to an economics that is not just post-autistic, but post-Pythagorean.

David Orrell is a mathematician and author whose work has appeared in *New Scientist*, the *Financial Times*, BBC Radio and CBC TV. He is the author of *Apollo's Arrow: The Science of Prediction and the Future of Everything* and *The Other Side of the Coin: The Emerging Vision of Economics and Our Place in the World*.



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ECONOPHYSICS: A NEW PARADIGM

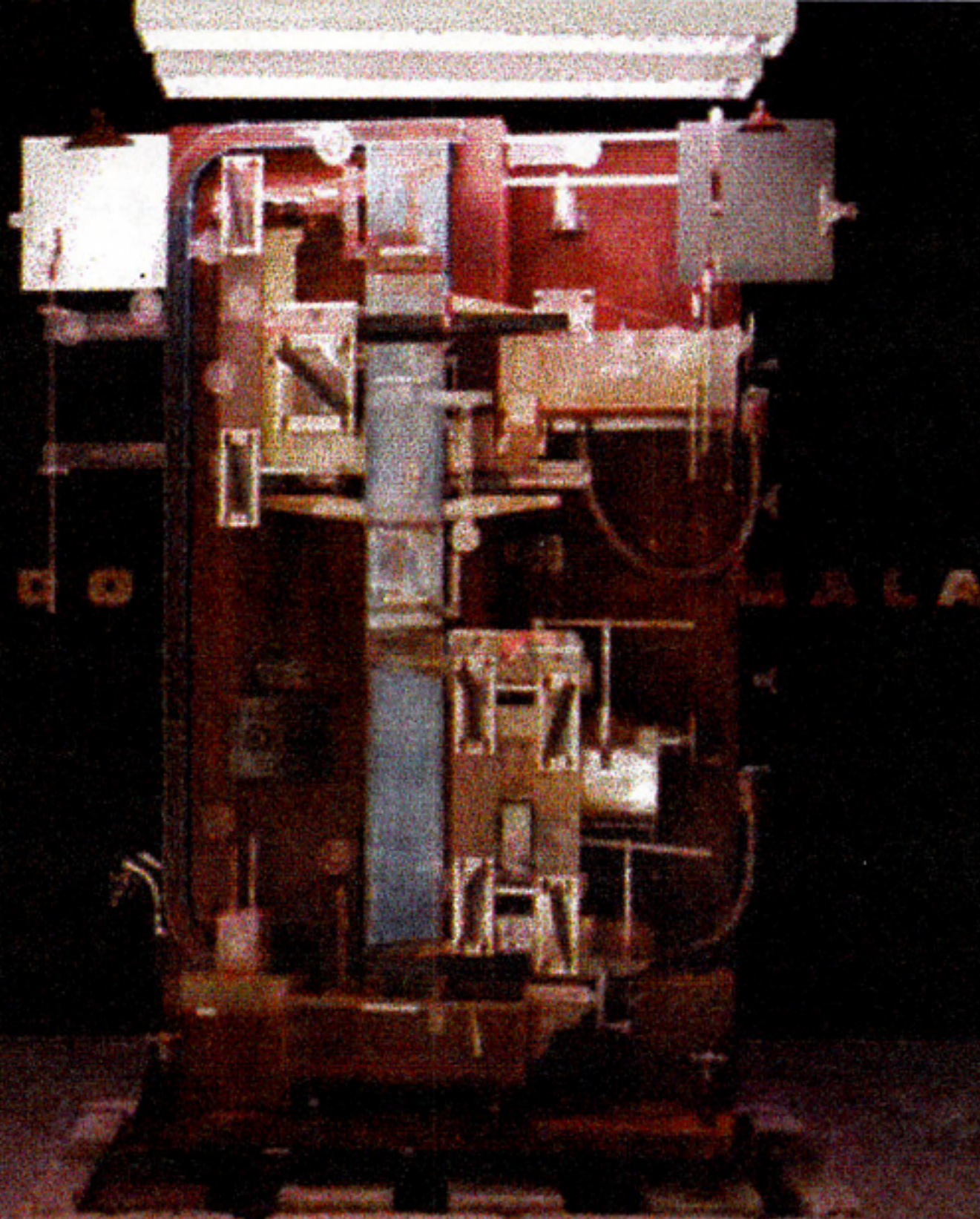
by Michael Mannino

Adam Smith was deeply influenced by the principles of Newtonian and classical physics and firmly believed that this system was a model for all social and economic phenomena. The principles of classical physics depicted the inner workings of the natural world so eloquently and were, after all, so widely believed. Newtonian physics described the world as deterministic, mechanistic, absolute and certain. The universe was often portrayed by the familiar metaphor of a clock, which could be analyzed by simply explaining its parts and how they move. According to Smith, similarly objective laws could describe human behavior – particularly economic behavior. His most familiar example is the invisible hand.

The classical economists envisioned the free market as a completely self-regulating system

controlled by the laws of the universe with no need for human interference. People appear to be free, but they are, in fact, controlled by market mechanisms and natural and objective laws. Just as planets and particles move in accordance with the laws of motion in Newtonian physics, people act in accordance with the laws of the market, such as supply and demand.

Classical economics has undergone several revisions over the past several hundred years that have left it dry, stale and devoid of any human values, but the basic principles are the same and they still cling to the assumptions of Newtonian physics. The principles of classical physics lent themselves nicely to classical economics, but neoclassical economics – the grandchild of Smith's original science – still



THE FOUNTAIN OF PRO\$PERITY

Michael Stevenson's *The Fountain of Prosperity* (2007) is a reconstruction of the Moniac, a machine designed in the late 1940s by New Zealand economist Bill Phillips. Moniac used a fixed volume of blood-red water to demonstrate the flow of money in national economies. Pumped through a system of transparent tubes and sluices, Moniac's red liquid would come to rest in clear chambers representing entities like "surplus balances" and "International Monetary Fund." The machine was considered a valuable tool in analyzing economic functions: 15 replicas were constructed and shipped around the world. Stevenson imagined what one of the machines, acquired by the Central Bank of Guatemala in 1952, might look like today. His version – a forlorn hulk of corroded tubes and leaking chambers – mirrors the economic reality of the country and suggests the more universal notion of an outdated model on the verge of collapse.



adheres to classical physics.

Neoclassical economics differs in several important ways from Smith's classical economics. One prominent contrast is the complete removal of all values from economic thought. Neoclassical economics is also marked by a significant belief in human rationality, in humans' ability to describe their world. This rational agent, the main player in the economic game, is known as *homo economicus*. The quintessential rational agent acting in an objective economic model is much like the Newtonian particle moving along paths well defined by the laws of motion. And just like the particle moving completely unaware of the laws guiding it, people are caught up in a completely depersonalized system – unaware of its guiding and organizing principles. Neoclassical economists talk of the "perfect market" – one that exhibits "perfect competition" between businesses and "perfect information" between businesses and consumers. The "perfect market" will tend, so the theory goes, to a level of supply and demand that is socially optimal. Perfect competition implies perfect information, which exists when every individual is rational and has complete knowledge of 1) the method of pricing and 2) all methods and techniques of production. The consumer has perfect information when she knows everything about how a product was made and priced. The consumer will therefore be able to make the best possible decision when purchasing a product. Of course, the market is not perfect. Imperfections abound. Consider the seemingly innocuous act of purchasing a pair of jeans. Often the buyer does not have any information about where, when and under what conditions the jeans were made, yet she is regarded as completely rational and as acting in accordance with the laws of the market. This view that people can be treated mathematically is ultimately demoralizing and depersonalizing.

So it seems we are stuck with a valueless and deterministic economic model based on a valueless and deterministic physics; we cannot change the physics and we cannot change the economics. But the same science that ultimately led to this economic catastrophe can

save it. Not under the guise of classical physics but under the new paradigm of modern physics – inaugurated by Einstein, Schrödinger and many others. Although it is still relatively young, modern physics has shown us that the world is not structured the way Newton and his contemporaries thought. Rather, it is indeterministic, random, relative, holistic, subjective and uncertain. It has shown us that humans are not merely observers but also participators. Built into the very fabric of the world is a small space for us to help shape it. Modern physics has done something classical physics missed: made room for human values. The old neoclassical economists need to catch up with our current physical worldview. One avenue they might take is to revise the original assumptions of neoclassical economics to coincide with the implications of modern physics.

The neoclassical economic zeitgeist has turned out to be a catastrophe. Rampant consumerism, the ever-widening gap between rich and poor, demoralization, depersonalization and environmental neglect are just a few of the problems of modern capitalism. Given this state of affairs, we must ask these critical questions: How did it get to be this way? What can we do to escape or amend these problems? The deep-seated answer to these questions lies in the foundations of physics.

In his book *Small is Beautiful: Economics as if People Mattered*, the late economist E.F. Shumacher addressed the fact that the current economic paradigm functions not only without incorporating the sustainability of the natural environment but also without recognition of the very people it so clearly depends on. Now that people matter again in physics, and since economics endeavors to be modeled after physics, we ought to matter again in economics as well.

Michael Mannino has his masters in philosophy and recently began his career as a college professor, teaching philosophy and critical thinking. He welcomes your feedback: write him at mannino49@hotmail.com.



Burn it down!



THE SLOW FOOD REVOLT

BY HORACIO VELASCO

The “slow food” movement – founded by Carlo Petrini in 1989 – is a revolt against the fast pace forced on us by industrial civilization, specifically fast-food culture. The movement’s manifesto rejects “the machine” as a life model, and blames this mechanized way of life for a frenzied existence in which productivity outweighs all else. The frenetic pace at which we’re forced to live disrupts our natural habits, destroys our environment and is ultimately inimical to life. To counteract the ill effects of frenzied living, the movement proposes replacing industrial agriculture with organic agriculture, nurturing more discriminating palates and promoting just compensation for conscientious food producers.

The slow food movement rejects the theory behind machine culture: mainstream neo-classical economics. Neoclassical theory was created to provide behavioral science with an equivalent to classical mechanics in physics. The concepts of space and time in classical mechanics do not correspond exactly with actual location and chronology. Instead they correspond to what Nicholas Georgescu-Roegen calls the “indifferent distance and indifferent time interval” of classical mechanics. Mechanical phenomena, therefore, are essentially independent of place and time. The forces of push and pull, although operating in opposition, eventually settle into a unique position of balance called mechanical equilibrium.

Economic models work in the same way as models of mechanical equilibrium – they are marked by supply and demand curves, which eventually settle to determine market

prices. These models represent the economic process as an isolated cycle of production and consumption – neither inducing qualitative change in the environment (natural or social) nor being affected by qualitative change. But surely it is precisely these qualitative changes and distinctions that differentiate the living from the nonliving condition ... if only because each moment – in spite of the indifference of classical mechanics to time – brings the living organism closer to its eventual demise.

These economic models have created a machine culture wholly indifferent to the complexity and mortality of the living condition, in which consumption is totally divorced from its social and environmental ramifications. If mainstream economics and the machine culture it created are to account for the qualitative nuances of the living condition, they will have to be restructured. These models will have to be pulled from their present state of isolation and integrated into the surrounding environment. Social institutions would then begin to reflect biological reality, acknowledging that life subsists within a very narrow range of physical and chemical parameters. These institutions would come to recognize that the whole, the entire system – of which they are only fragments – is greater than the sum of its parts.

Horacio Velasco is an environmental policy researcher and advocate. He currently resides in the Philippines but would love to emigrate to the UK, Germany or Canada in search of more nurturing cultural soil.

WHIRLPOOLS AND TURBULENT FLOWS

by Geoff Olson

When weather scientist Edward Lorenz was programming a computer to predict weather patterns in 1961, he entered the decimal .506 as a shortcut for the full sequence of .506127. The result was a radically different weather scenario. Lorenz remarked on this finding in a 1963 paper: "One meteorologist remarked that if the theory were correct, one flap of a seagull's wings could change the course of weather forever." Appearing before the American Association for the Advancement of Science, Lorenz gave a talk entitled "Does the Flap of a Butterfly's Wings in Brazil Set Off a Tornado in Texas?" The title has since become a shorthand expression for nature's interconnectedness.

Lorenz's findings kick-started the 1980s academic cottage industry of "chaos theory." Aided by the personal computing explosion, scientists plumbed the bizarre, psychedelic landscapes of fractals and "strange attractors," mathematical forms that appeared to underlie some of nature's most persistent themes. Suddenly it became possible to see links between seemingly unrelated things. From dripping taps to the collapse of caribou populations, from the whirlpool of cream in your coffee cup to the pinwheel of stars in a galaxy millions of light years away, chaos theory supplied the connections. Charles Fort was right: you could measure a circle beginning anywhere.

The disciplines of chaos theory and complexity theory have both had a strong influence on the physical sciences and on some of the life sciences as well. Urban planners and social scientists have also seized the new ideas. Yet as far as neoclassical economics is concerned, it's as if the discoveries of Lorenz and his colleagues never occurred. The disconnect between rhetoric and reality has alerted some of the silverbacks within the

financial-speculative complex that something is very wrong with their profession. Among them are Joseph Stiglitz, former senior vice president and chief economist of the World Bank, former hedge fund financier George Soros and University of Bologna professor of political economics Stefano Zamagni.

David Suzuki is another skeptic and he offers a great anecdote about economic thinking. While at the University of British Columbia, Suzuki figured it would be a good idea to supplement his academic background in biology with an understanding of economics. During the first class, Suzuki's instructor stood at the blackboard drawing lines in chalk to show the flow from the resource base into the market, with subsidiary industries adding value and creating wealth for investors.

Suzuki pointed to the side of the blackboard that was empty of equations, the resource base, and asked whether the calculations took into account the effect of human activity on the environment, the diminishing reserves and growing waste that Suzuki reasonably regarded as a cost mortgaged into the future. "That's an externality," the instructor responded drily. In other words, the environment is something external to the grand human workings of the market and not worth factoring in. Suzuki left the class on the spot.

According to Stefano Zamagni, economics was referred to as "the science of happiness" prior to the 1900s. By the late 20th century, it bore the ignominious title, "the dismal science." In a lecture in Vancouver in 2004, Zamagni described the crisis facing economic science. Economists identify the common good with the sum total of individual goods, the professor says, which doesn't work, as it ignores "the good of every individual in all the dimensions of a human being." What Zamagni calls the "original sin of economics" is the reductionist idea that economic relations are reducible to the exchange of equivalence: I give or do something for you and you give or do something for me of the same value.

Yet there is another dimension to exchange, based on the principle of reciprocity, and as

Zamagni noted, "... the principle of reciprocity is completely different from the exchange of goods." Reciprocity is closely tied to trust, and both variables are missing entirely from economic equations. In fact they are extremely difficult or impossible to quantify, yet immensely important for sustaining fair economic relations. Enron, anyone?

Zamagni connects several decades of materialistic economic philosophy – with its reductionistic disconnect from the real world – to the deterioration of North American civic and family life. The "instrumental rationality" of economic thinking, he says, has ventured far beyond its sphere of applicability, justifying a dog-eat-dog paradigm for both interpersonal and international relations.

Steve Keen, associate professor of economics and finance at the University of Western Sydney, describes conventional economic theory as "autistic." "What passes for 'normal' in economics barely deserves the appellation 'science,'" he asserts in his 2001 paper "Economists Don't Have Ears."

Keen writes: "Most introductory economics textbooks present a sanitized, uncritical rendition of conventional economic theory ... the courses in which these textbooks are used do little to counter this mendacious presentation. Students might learn, for example, that 'externalities' reduce the efficiency of the market mechanism. However, they will not learn that the 'proof' that markets are efficient is itself flawed." Keen also assails the economics taught at an undergraduate level as "profoundly boring." And those who move from the discipline into accountancy, finance or management learn just enough to walk away from the classroom with a warped view of the world.

Although there is a vast body of literature critical of economic thinking, the students aren't exposed to any of it. Most students end up swallowing the axioms of economic science because, as Keen notes, "... their training leaves them both insufficiently literate and insufficiently numerate." Neither are they given the historical context for economic thinking, making it seem as if some bearded prof had

delivered it from on high, reading from inscribed tablets.

Economics has persevered with mathematical methods that professional mathematicians transcended long ago, Keen writes. "This dated version of mathematics shields students from new developments in mathematics that, incidentally, undermine much of neoclassical economic theory."

In particular, applying the findings of chaos theory to real-world market behavior involves an understanding of "ordinary differential equations." Yet this topic is taught in very few courses on mathematical economics, notes Keen. When it is taught, it is not covered in sufficient depth.

"Economics students therefore graduate from Masters and PhD programs with an effectively vacuous understanding of economics, no appreciation of the intellectual history of their discipline and an approach to mathematics which hobbles both their critical understanding of economics and their ability to appreciate the latest advances in mathematics and other sciences. A minority of these ill-informed students themselves go on to be academic economists and then repeat the process. Ignorance is perpetuated," Keen claims.

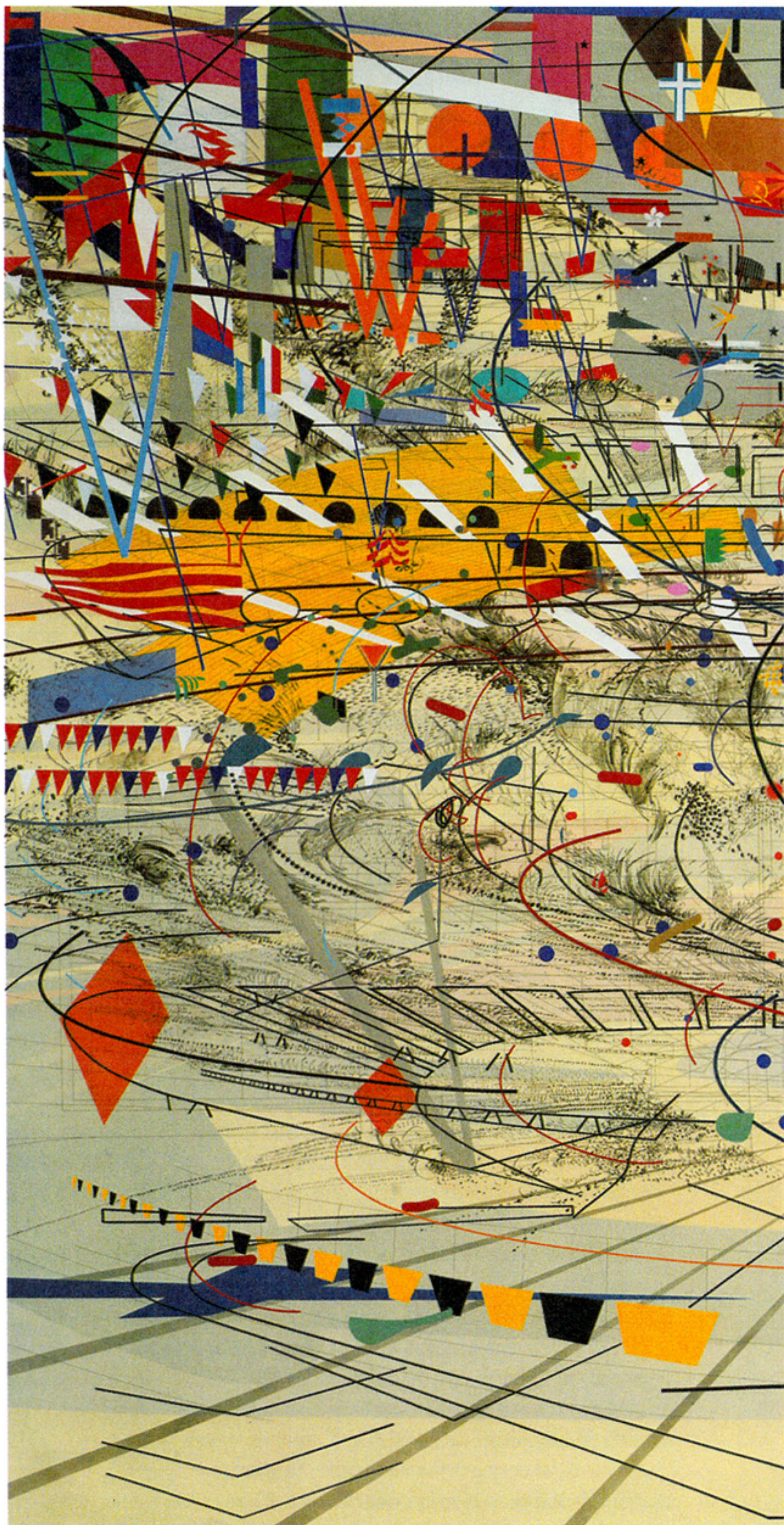
Ultimately we are no more "rational utility maximizers" in a "free market" than we are sacks of chemicals disconnected from the air we breathe. We are creative patterns, whirlpools and turbulent flows, inseparable from all the other patterns in the river of being. This is what ecology and the sciences of connectedness have been telling us for decades. And as the frogs, songbirds and honeybees continue with their vanishing acts, the time is running short for the wizards of the dismal science to get it.

Geoff Olson is a Vancouver-based writer and political cartoonist. His articles and artwork can be found at www.geoffolson.com.

From *Common Ground*, August 2008.

THE NEW AESTHETIC OF ECONOMICS

Julie Mehretu's work is largely concerned with the spaces that contain and shape us – the spaces that delineate both who we are and who we are not. *Stadia II* is an abstracted cyclone of emblems, flags and corporate logos conflated into a universal language and trapped within a stadium's compressed walls. It is a metaphor for blurred meaning and layered identities, for the collapsing boundaries between order and chaos.



JULIE MEHRETU | STADIA II, 2004 | CARNEGIE MUSEUM OF ART, PITTSBURGH



GIFT OF JEANNE GREENBURG ROHATYN AND NICOLAS ROHATYN AND A.W. MELLON ACQUISITION ENDOWMENT



The Creative Destruction of Neoclassical Economics

Just as breakthroughs in quantum mechanics have rendered Newtonian physics obsolete, so too can swift bursts of radical innovation in economics wipe out the neo-classical paradigm.



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III MEET THE MAVERICKS

Kenneth Boulding, Howard Odum, Hazel Henderson, E.F. Shumacher, Herman Daly ... the profession of economics has always been home to renegade thinkers. It has long been torn asunder by violent theoretical conflict. But for the last few generations, Milton Friedman's neoclassical paradigm has enjoyed a relatively unchallenged reign. Voices of dissent howled in the distant wilderness while the neoclassicists held court, pontificating on cable news and sowing seeds of delusion with their rosy predictions in newspaper business pages. For most of the last 20 years, Alan Greenspan sat on high as the chairman of the US Federal Reserve, dispensing arcane economic wisdom like an all-knowing god.

But the status quo began to heave when books like George Monbiot's *Heat* and documentaries like *An Inconvenient Truth* – coupled with the dire warnings of Nobel Prize-winning scientists about the possibility of a catastrophic tipping point – sent ripples of fear through the public imagination. Is nature really dying? Could climate change really do us in? Are “externalities” really insignificant? Do economists truly know what they're talking about? Last September's meltdown, which caught all but a handful of the neoclassicists off-guard, was the final straw, signaling loud and clear that they were living in an imaginary world completely disconnected from reality. In university economics departments and at meetings of the American Economic Association, the neoclassicists still bravely keep up the façade. But students are feeling uneasy, comedians are having a field day, and the Internet is buzzing with swarms of dissenting websites (check out our RESOURCES section at the end of this book). The movement to overhaul curriculums, implement full-cost accounting, pioneer new measures of progress and throw the old-school practitioners out of power suddenly feels unstoppable.

In this section we feature interviews with some of the inspiring people who have helped to catalyze this monumental mindshift.

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FREDERICK SODDY

Innovative and opaque instruments of debt; greedy bankers; lenders' eagerness to take on risky loans; a lack of regulation; a shortage of bank liquidity: all have been nominated as the underlying cause of the largest economic downturn since the Great Depression. But a more perceptive, and more troubling, diagnosis is suggested by the work of a little-regarded British chemist-turned-economist who wrote before and during the Great Depression.

Frederick Soddy, born in 1877, was an individualist who bowed to few conventions and who is described by one biographer as a difficult, obstinate man. A 1921 Nobel laureate in chemistry for his work on radioactive decay, he foresaw the energy potential of atomic fission as early as 1909. But his disquiet about that power's potential wartime use, combined with his revulsion at his discipline's complicity in the mass deaths of World War I, led him to set aside chemistry for the study of political economy – the world into which scientific progress introduces its gifts. In four books written from 1921 to 1934, Soddy carried on a quixotic campaign for a radical restructuring of global monetary relationships. He was roundly dismissed as a crank.

He offered a perspective on economics rooted in physics – the laws of thermodynamics, in particular. An economy is often likened to a machine, though few economists follow the parallel to its logical conclusion: like any machine the economy must draw energy from outside itself. The first and second laws of thermodynamics forbid perpetual motion, schemes in which machines create energy out of nothing or recycle it forever. Soddy criticized the prevailing belief of the economy as a perpetual motion machine, capable of generating infinite wealth – a criticism echoed by his intellectual heirs in the now emergent field of ecological economics.

A more apt analogy, said Nicholas Georgescu-Roegen (a Romanian-born economist whose work in the 1970s began to define this new approach), is to model the economy as a living system. Like all life, it draws from its environment valuable (or “low entropy”) matter and energy – for animate life, food; for

an economy, energy, ores, the raw materials provided by plants and animals. And like all life, an economy emits a high-entropy wake – it spews degraded matter and energy: waste heat, waste gases, toxic byproducts, apple cores, the molecules of iron lost to rust and abrasion. Emissions include trash and pollution in all their forms, including yesterday's newspaper, last year's sneakers, last decade's rusted automobile.

Matter taken up into the economy can be recycled, using energy; but energy, used once, is forever unavailable to us at that level again. The law of entropy commands a one-way flow downward from more to less useful forms. An animal can't live perpetually on its own excreta. Thus, Georgescu-Roegen, paraphrasing the economist Alfred Marshall, said: “Biology, not mechanics, is our Mecca.”

Following Soddy, Georgescu-Roegen and other ecological economists argue that wealth is real and physical. It's the stock of cars and computers and clothing, of furniture and French fries that we buy with our dollars. The dollars aren't real wealth but only symbols that represent the bearer's claim on an economy's ability to generate wealth. Debt, for its part, is a claim on the economy's ability to generate wealth in the future. “The ruling passion of the age,” Soddy said, “is to convert wealth into debt” – to exchange a thing with present-day real value (a thing that could be stolen, or broken, or rust or rot before you can manage to use it) for something immutable and unchanging, a claim on wealth that has yet to be made. Money facilitates the exchange; it is, he said, “the nothing you get for something before you can get anything.” Problems arise when wealth and debt are not kept in proper

relation. The amount of wealth that an economy can create is limited by the amount of low-entropy energy that it can sustainably suck from its environment – and by the amount of high-entropy effluent from an economy that the environment can sustainably absorb. Debt, being imaginary, has no such natural limit. It can grow infinitely, compounding at any rate we decide.

Whenever an economy allows debt to grow faster than wealth can be created, that economy has a need for debt repudiation. Inflation can do the job, decreasing debt gradually by eroding the purchasing power, the claim on future wealth, that each of your saved dollars represents. But when there is no inflation, an economy with overgrown claims on future wealth will experience regular crises of debt repudiation – stock market crashes, bankruptcies and foreclosures, defaults on bonds or loans or pension promises, the disappearance of paper assets.

It's like musical chairs – in the wake of some shock (say, the run-up of the price of gas to four dollars a gallon), holders of abstract debt suddenly want to hold money or real wealth instead. But not all of them can. One person's loss causes another's, and the whole system cascades into crisis. Each and every one of the crises that has beset the American economy in recent years has been, at heart, a crisis of debt repudiation. And we are unlikely to avoid more of them until we stop allowing claims on income to grow faster than income.

Soddy would not have been surprised at our current state of affairs. The problem isn't simply greed, isn't simply ignorance, isn't a failure of regulatory diligence but a systemic flaw in how our economy finances itself. As long as growth in claims on wealth outstrips the economy's capacity to increase its wealth, market capitalism creates a niche for entrepreneurs who are all too willing to invent instruments of debt that will someday be repudiated. There will always be a Bernard Madoff or a subprime mortgage repackager

willing to set us up for catastrophe. To stop them we must balance claims on future wealth with the economy's power to produce that wealth. How can that be done?

Soddy distilled his eccentric vision into five policy prescriptions, each of which was taken at the time as evidence that his theories were unworkable. The first four were to abandon the gold standard, let international exchange rates float, use federal surpluses and deficits as macroeconomic policy tools that could counter cyclical trends, and establish bureaus of economic statistics (including a consumer price index) in order to facilitate this effort. All of these are now conventional practice.

*Biology,
not mechanics,
is our Mecca.*



Soddy's fifth proposal, the only one that remains outside the bounds of conventional wisdom, was to stop banks from creating money (and debt) out of nothing. Banks do this by lending out most of their depositors' money at interest – making loans that the borrower soon puts in a demand deposit (checking) account, where it will soon be lent out again to create more debt and demand deposits, and so on, almost ad infinitum.

One way to stop this cycle, suggests Herman Daly, an ecological economist, would be to gradually institute a 100 percent reserve requirement on demand deposits. This would begin to shrink what Professor Daly calls "the enormous pyramid of debt that is precariously balanced atop the real economy, threatening to crash."

Banks would support themselves by charging fees for safekeeping, check clearing and all the

If such a major structural renovation of our economy sounds hopelessly unrealistic, consider that so too did the abolition of the gold standard and the introduction of floating exchange rates back in the 1920s. If the laws of thermodynamics are sturdy, and if Soddy's analysis of their relevance to economic life is correct, we'd better expand the realm of what we think is realistic.

Eric Zencey is the author of *Virgin Forest: Meditations on History, Ecology and Culture* and a novel, *Panama*.

We have to stop banks from creating money out of nothing.

other legitimate financial services they provide. They would still make loans and still be able to lend at interest "the real money of real depositors," in Professor Daly's phrase, people who forgo consumption today by taking money out of their checking accounts and putting it in time deposits – CDs, passbook savings, 401(k)s. In return these savers receive a slightly larger claim on the real wealth of the community in the future.

In such a system every increase in spending by borrowers would have to be matched by an act of saving or abstinence on the part of a depositor. This would reestablish a one-to-one correspondence between the real wealth of the community and the claims on that real wealth. (Of course it would not solve the problem completely, not unless financial institutions were also forbidden to create subprime mortgage derivatives and other instruments of leveraged debt.)

PAUL SAMUELSON

Paul Samuelson was awarded the Nobel Prize in Economics in 1970. He was a student of Joseph Schumpeter at Harvard. Samuelson's 1948 classic, *Economics: An Introductory Analysis*, is one of the best-selling economic textbooks of all time. He spoke with *New Perspectives Quarterly* editor Nathan Gardels.

NPQ | You have outlived Milton Friedman, who died in 2006. And now your Keynesian ideas have also outlived his radical free-market ideology. Is economics back to where you started?

Paul Samuelson | You are right. I am old enough to have seen the cycle come full circle. My experience is more valuable now than it was even a year ago, since I first became actively engaged in economic policy on January 2, 1932, at the rock bottom of the Great Depression.

I became a centrist early on. Of course, the central planning system of the socialist states we still contested with ideologically in those days was idiotic, but that didn't mean government doesn't play a critical role.

And today we see how utterly mistaken the Milton Friedman notion was that a market system can regulate itself. We see how silly the Ronald Reagan slogan was that government is the problem, not the solution. This prevailing ideology of the last few decades has now been reversed.

Everyone understands now that there can be no solution without government. The Keynesian idea is once again accepted that fiscal policy and deficit spending has a major role to play in guiding a market economy. I wish Friedman were still alive so he could witness how his extremism led to the defeat of his own ideas.

NPQ | How does the current economic crisis compare to the Great Depression?

Samuelson | The current situation is very similar and certainly the worst experience America or the world has faced since the end of World War II. In some cases – the housing market – it is even worse.

Clearly there is going to be an extraordinarily long recovery period, even with very large deficit spending

by the government. Obama has a good team – including my nephew Larry Summers. But as an old veteran of battles over economic policy in Washington, I am sure Obama will run into a lot of resistance.

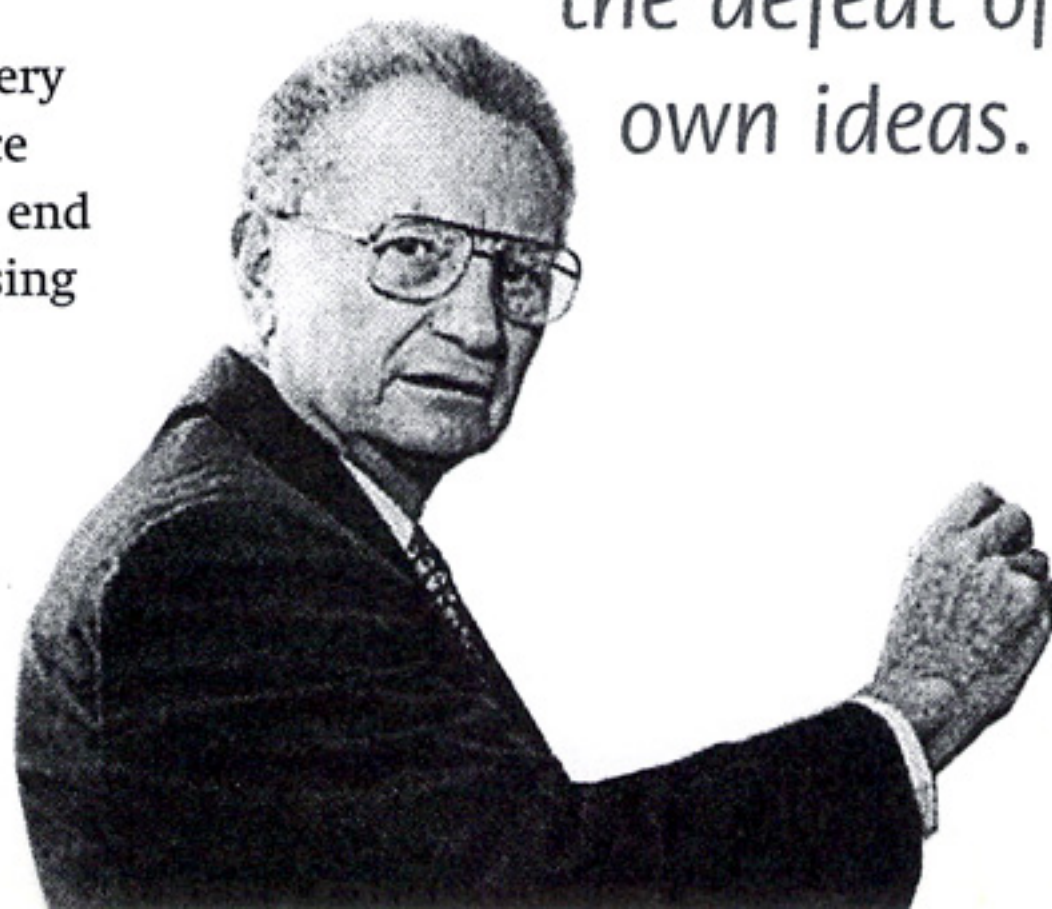
Current projections that we might see some recovery by the second half of 2009 are highly implausible. I suspect we won't see a recovery before 2012 and possibly even 2014. That more closely resembles the time frame it took Roosevelt from his inauguration in March, 1933, to the eve of World War II.

I'm afraid that young people listening to Obama's reassuring remarks lack historical perspective on this score. Obama has a fighting chance, but it is going to be very, very difficult.

There have been ups and downs and economic bubbles since the cavemen. What makes this meltdown different is that we have built such an elaborate house of cards on the fiendish financial schemes of "brilliant" MIT and Wharton School graduates that it will take a great deal of time to unwind the mess and rebuild confidence in the financial system. They created instruments so complex that no CEO understood them. They so lacked transparency that the meltdown came as a surprise.

From *New Perspectives Quarterly*, Spring 2009.

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LOURDES BENERÍA

Lourdes Benería is a professor of gender and economic development at Cornell University and the author of *Gender, Development and Globalization: Economics as if People Mattered*. Her research centers on feminist economics, labor markets, women's work and globalization, with a special focus on Latin America. She spoke with ecological economist Tom Green.

ON WHY ECONOMICS IS SO RESISTANT TO CHANGE

Economics is a very hegemonic discipline, even though there are so many heterodox economists that protest this arrogance and this unwillingness to discuss criticisms. Compared to other social sciences that have integrated gender much more easily, conventional economics has been one of the most impenetrable disciplines. It has been difficult, if not impossible, for orthodox economics to incorporate feminist issues.

Part of the resistance is because economists think of themselves as developing scientific tools of analysis, and some of the issues raised by feminists seem too remote to this culture: economists think that they are more "scientific" than other social scientists. The salaries of economists are higher than those of other social scientists – even in universities, let alone in the business world. Economics is called the queen of the social sciences because it mimics physics and uses math.

Mathematics gives the impression that economics is scientific and so you cannot question it. But you have to dig into the assumptions. For example, look at the area known as "household economics." The neoclassical assumptions used to set up these models imply that men and women are free and equal individuals negotiating

rationally what's best for the household. Some models assume that decisions are made by a "benevolent patriarch" who understands what's best for the household and each member. There is no emotion or love involved in decisions based on economic rationality.

But the fact is – as feminists have pointed out – within a household, men and women can be very unequal subjects, and decisions are not merely rational. Men have often had better educational opportunities – they may own land, they may control the money, they typically have more power. The picture of reality portrayed by these models is very androcentric or male-biased. Policies based on these models can underestimate how they affect men and women differently.

The problem is that to deal with gender relations you have to incorporate power into the analysis. Neoclassical economics does not deal with power relations; it tends to focus on purely economic issues. In contrast, the so-called "bargaining models" can focus more directly on power and asymmetric relations within the household.

ON THE PERILS OF MAXIMIZATION

Economics is the big maximizing discipline: we want to maximize utility, maximize growth, maximize income and maximize production – given some constraints of course. We assume that the capitalist maximizes profits. For years and years the discipline has not taken into

consideration the economic costs generated by all this maximization without any checks, and we are now seeing the consequences. The earth is in danger of not being able to support all this unregulated economic activity, and we now have a very serious ecological crisis. We cannot think only about maximizing anymore. At the very least we have to think about maximizing subject to some conditions. Our discipline is totally in need of rethinking. Economists talk about sustainable development with a very weak notion of what sustainability means. Scientists are telling us that it is impossible to even sustain what we have been taking for granted so far – especially in the high-income countries. We have to start reducing consumption, which means reducing the production that is causing so many problems to the earth. What the ecological crisis means is that economists have to start almost at zero in terms of rethinking the discipline.

There is no emotion or love involved in decisions based on economic rationality.



GEORGE AKERLOF

George Akerlof is a professor at the University of California, Berkeley. He won the 2001 Nobel Prize in Economics (shared with Michael Spence and Joseph E. Stiglitz) for his paper "The Market for Lemons: Quality Uncertainty and the Market Mechanism." Akerlof has worked to incorporate human psychology into economic models since 1970. His recent publications include *Animal Spirits: How Human Psychology Drives the Economy, and Why It Matters for Global Capitalism*, *Explorations in Pragmatic Economics* and *Thoughts on Global Warming*. He spoke with ecological economist Tom Green about what's missing from mainstream economics.

Although economics has progressed in the last 50 years, important aspects of human motivation are still missing from it. I am trying to effect a return to a more sensible and pragmatic economics. Until recently, simplistic assumptions about human behavior have misled theory and misguided policy. We need to once again base our models on, as Keynes put it, "our knowledge of human nature and ... the detailed facts of experience." We now know that people often do not behave rationally. What we need to include in economic models are the norms and motivations that guide human behavior. People have very firm notions about how they and other people should behave, although they often don't know exactly where these notions come from. Economics has eschewed this kind of motivation and, as a result, it's more solemn than it should be, and it's also a lot less fun. There are many issues in which economics could offer more powerful analysis, and there are many issues in which it gets the wrong answer. It claims that it has insights, but these insights are wrong.

If you go back 40 or so years, norms and motivations would have been part of economists' analyses. Then an intellectual movement which said we should be much more scientific and derive everything from principles of maximization arose. For some reason or other, the notion that people actually care about how we should or shouldn't behave got left out of the methodology. Economists tried to make their models very simple and, as a result, we have a less good economics than we would

have had otherwise.

Models that are restricted to economic motivations make it very difficult to explain such important phenomena as inflation. It's also very difficult to explain why the monetary authority has an effect on the level of employment and output and to explain the trade-off between inflation and unemployment. The same type of problem applies to many different areas of microeconomics. We lose a lot of the explanation of how organizations work, we lose a great deal of the economics of gender, we lose a lot of the economics of minority poverty – especially why minorities tend to have high levels of poverty.

Part of the problem arose back in 1953, when Milton Friedman urged his fellow economists to rely on parsimonious models, simple models, that explain the world with a minimum of variables. Parsimony was erroneously defined as making models dependent on what we consider to be economic arguments – how individuals seek to maximize their utility and what gives them utility – is narrowly defined and mainly focused on consumption. The interpretation of parsimony shouldn't include the idea that norms don't matter, because in fact norms really do matter.

Economists have to start adding norms and motivations back into their models. People have some kind of view as to how they should be behaving. What makes us happy is largely whether we feel we live up to that view. The way economics is sometimes taught suggests the path to well-being is

maximizing consumption opportunities, creating opportunities for the economy to grow so consumers can consume more. But this model has shortcomings. Economists have contributed to the shortcomings by missing the inclusion of norms and motivations. Once you've met some basic needs, what makes you happy is having a view of what you should be doing ... and doing it.

Economists have to start adding norms and motivations back into their models.



Dear Adbusters,

When I heard about your Thought Control in Economics issue, I felt compelled to write. I am a 17-year-old economics student at a London school and I was hoping you would help me deal with a burning question I have not been able to answer.

This term we were given the opportunity to write an essay on a topic of our choice to submit for a departmental prize. I decided to submit an analysis of the role branding plays in our modern market economy. I was referred to Akerlof's work on "lemons." In his work he talks of brands as a "counteracting institution." He says that brands both "indicate quality" and "give the consumer a means of retaliation if the quality does not meet expectations. For the consumer will then curtail future purchases."

This struck me as an underestimation. The article was published in 1970 and, I would suggest, branding has developed since then to such a level of sophistication and influence that its effects are greater and more contradictory to the theory of free market economics. I was wondering whether this is something Mr. Akerlof himself has acknowledged?

The idea that brands serve to indicate quality is, I think, an anachronism. The role of marketing in our modern economy is not to impart information but to ascribe a set of emotional values to goods. This strategy circumvents a consumer's rational purchasing habits in an attempt to generate demand for a product that is not cheaper or better than its competitors. If preference is so divorced from practical advantage, then where is the tension between consumer and supplier behavior that combines to promote market efficiency?

Secondly, do brands enhance or reduce accountability? If I purchase a can of cola under the premise that it will make me love life more, I am hardly going to return it when the product does not meet this expectation. I would argue that a powerfully branded product like Coca-Cola makes a corporation practically bulletproof. Because a solid brand is a prerequisite for large-scale success in our modern economy, the influence a single consumer can have is reduced.

I feel a little ridiculous criticizing the well-established theory of a Nobel Prize-winning economist, but I still cannot reconcile what I see in practice with a faith in free market theory. I was hoping it was possible for you to present this confusion to him.

Thank you for your efforts to dispel the dogmas of neoclassical economics and for keeping my head buzzing in class.

Matilda Wnek
Westminster School

JOSEPH STIGLITZ

Joseph Stiglitz has served as both vice president and chief economist for the World Bank. Stiglitz also chairs at the Brooks World Poverty Institute and is a member of the Pontifical Academy of Social Sciences. Stiglitz, along with George Akerlof and Michael Spence, won the Nobel Prize in Economics in 2001. His latest book is *The Three Trillion Dollar War: The True Cost of the Iraq Conflict*. Ecological economist Tom Green talked to Stiglitz about the shortcomings of contemporary economics.

ON STANDING UP TO THE ECONOMICS ESTABLISHMENT

Everybody likes to have their articles approved by others in the profession. If you stand outside the mainstream, you're not going to get the accolades you get when you're in the mainstream. It's sort of like a club – it's a lot easier being a member of the club than not being a member of the club. Part of the difficulty is that the club is trying to focus on the issues of the day: in one period the issue is inflation, in another period it's unemployment. With that shortsighted focus, there is quite often a failure to see the broader picture. The economics establishment has particular views on "orthodox theory," and at various times it shifts from one thing to another. Monetarism was the orthodoxy for a while, even though there was no scientific basis for monetarism. It was a big fad; almost everyone was a monetarist. And then, almost as fast as monetarism came in, people discovered it wasn't working and they abandoned it. When inflation became the big problem in the 1970s, people forgot about the big lessons of Keynesian economics. The lessons hadn't disappeared, but the world was focusing on inflation.

Now, we're in another episode where the economy is going through a serious downturn and people are thinking about why economies go into downturns. It turns out that the theories most people have been talking about for the past 15 to 20 years aren't very helpful in addressing current issues.

ON WHY INTRODUCTORY TEXTBOOKS CONTINUE TO TEACH THE OLD MODELS

I think there are two reasons for that. First, it's easier. Demand and supply are easier to explain than theories of imperfect information, or at least some people think they are. Second, there is a bit of a political agenda. It's not a surprise that Mankiw [author of *Principles of Economics*] was on the Council of Economic Advisors under President Bush and they tried to push forward a particular ideological view that markets work perfectly. I don't think most people think the economy is functioning perfectly.

Financial markets are dealing with information and risk, and those are topics books like Mankiw's – the old-fashioned textbooks – simply don't deal with adequately. And that's the real danger: if people learn outdated economics and they wind up trying to make a decision about regulation – or another aspect of economic policy – they are simply not equipped to deal with the problem.

ON THE INVISIBLE HAND

A simple way to explain why the invisible hand doesn't work is to ask: Did the top executives' pursuit of self-interest in the case of Enron lead to global economic efficiency? Did the managers of the big banks – Citibank, Merrill Lynch, all the ones dealing in subprime mortgages – lead to economic efficiency for the American economy? I think it's pretty clear it didn't, and one can see why it didn't. These managers were pursuing their own

bonuses, but maximizing their income was not consistent with maximizing societal welfare. Adam Smith said that maximizing self-interest and social interest were coincident, and I think that sort of dramatic illustration shows that they are not.

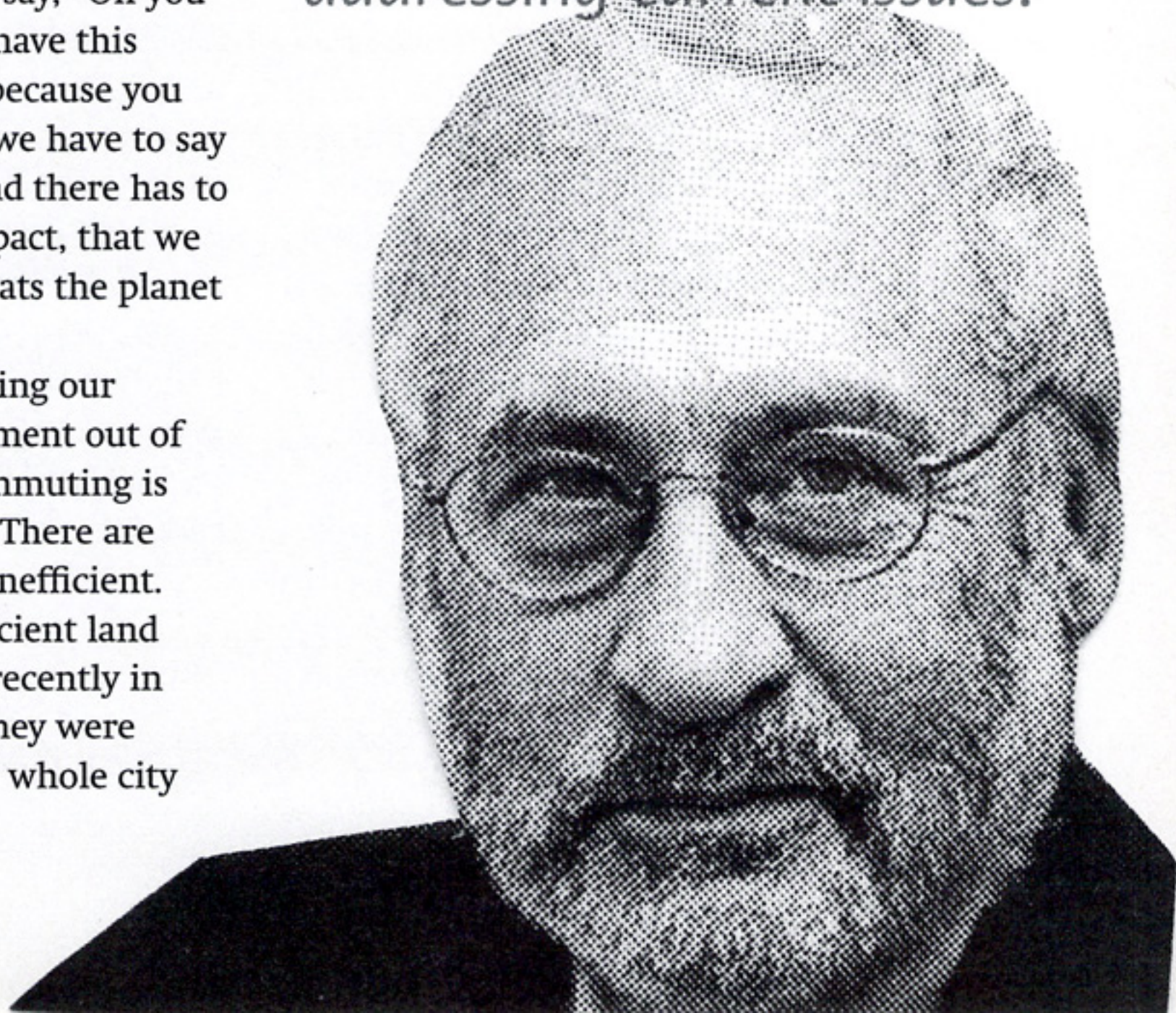
ON SUSTAINABILITY

I think what we've realized is the world cannot afford an extension of our lifestyle to the rest of the world. The problem is that India and China are on the way to trying to imitate our lifestyle. These are two countries with 2.4 billion people. Growth in China has been unbelievable, growing close to ten percent for 30 years. China is already the second largest producer of automobiles, and if it continues on that path, the planet is really at risk. But we say, "Oh you can't do this. It's alright for us to have this profligate lifestyle but you can't, because you might damage the planet." What we have to say is we are changing our lifestyle and there has to be a global compact, a social compact, that we all have to have a lifestyle that treats the planet with the respect that it needs.

A healthy economy involves using our time efficiently and getting enjoyment out of our time. Spending two hours commuting is not a good use of anybody's time. There are many ways in which we are very inefficient. We have not thought through efficient land management. I was in a meeting recently in France where in the central city they were talking about how to redesign the whole city

to make it environmentally more efficient, to make sure there is less waste, that the energy that is put out is captured and used and reused. So there are lots of things we can do to increase our overall efficiency.

The theories people have been talking about for the past 20 years aren't helpful in addressing current issues.



HERMAN DALY

Herman Daly is one of the founders of the interdisciplinary field of ecological economics. Formerly a senior economist for the World Bank, he moved to the University of Maryland, College Park in 1994. He received the Right Livelihood Award (the "Alternative Nobel Prize") in 1996 for his work in developing ecological economics, incorporating "the key elements of ethics, quality of life, environment and community." The following excerpts are from his interview with ecological economist Tom Green.

ON GROWTH

Growth is widely thought to be the panacea for all the major economic ills of the modern world. Poverty? Just grow the economy (increase the production of goods and services and spur consumer spending) and watch wealth trickle down. Unemployment? Increase demand for goods and services by lowering interest rates on loans and stimulating investment, which leads to more jobs as well as growth. Overpopulation? Just push economic growth and rely on the resulting demographic transition to reduce birth rates, as it did in the industrial nations during the 20th century. Environmental degradation? Trust in the environmental Kuznets curve, an empirical relation purporting to show that with ongoing growth in gross domestic product (GDP), pollution at first increases but then reaches a maximum and declines.

Relying on growth in this way might be fine if the global economy existed in a void, but it does not. Rather, the economy is a subsystem of the finite biosphere that supports it. When the economy's expansion encroaches too much on its surrounding ecosystem, we will begin to sacrifice natural capital (such as fish, minerals and fossil fuels) that is worth more than the manufactured capital (such as roads, factories and appliances) added by the growth. We will then have what I call uneconomic growth, producing "bads" faster than goods – making us poorer, not richer. Once we pass the optimal scale, growth becomes stupid in the short run and impossible to maintain in the long run.

Evidence suggests that the us may have already entered the uneconomic growth phase.

Humankind must make the transition to a sustainable economy – one that takes heed of the inherent biophysical limits of the global ecosystem.

ON WHAT A WORLD WITH LESS GROWTH MIGHT LOOK LIKE

Simply ask the question: What would the us look like if we had one-half of our current energy consumption? I think there are two ways to kind of get a handle on that. The first is to go back in us history to such a time when we did live off of one-half of the current levels of energy consumption. That would put us somewhere around 1960. And gee, life in 1960 wasn't bad. There were all sorts of good things – you were a long way from freezing in the dark, and life was quite good, materially good, and so forth.

Another way of thinking about it is to take the same year and look for another country with half the energy consumption per capita, like France, and life in France is pretty good. So society could cut energy consumption in half and, if it was done diligently, it wouldn't be a big deal in terms of how it would affect people's welfare. If we limit the scale of the economy, certainly there would be much higher energy

costs, and so you just have to make adjustments now toward more efficiency. You would also have to address distribution or equity issues, but these examples show limiting scale doesn't mean well-being has to suffer. I believe it could improve.

It's also important to ask the parallel question. We've just looked at life in a steady-state economy, what does it look like in a continually growing economy? It wouldn't look like it looks today, over time it would be increasingly different. As we continue to grow, the remaining biosphere becomes more scarce – less air, fewer trees and fish, and more congestion and pollution.

WHAT STUDENTS CAN DO

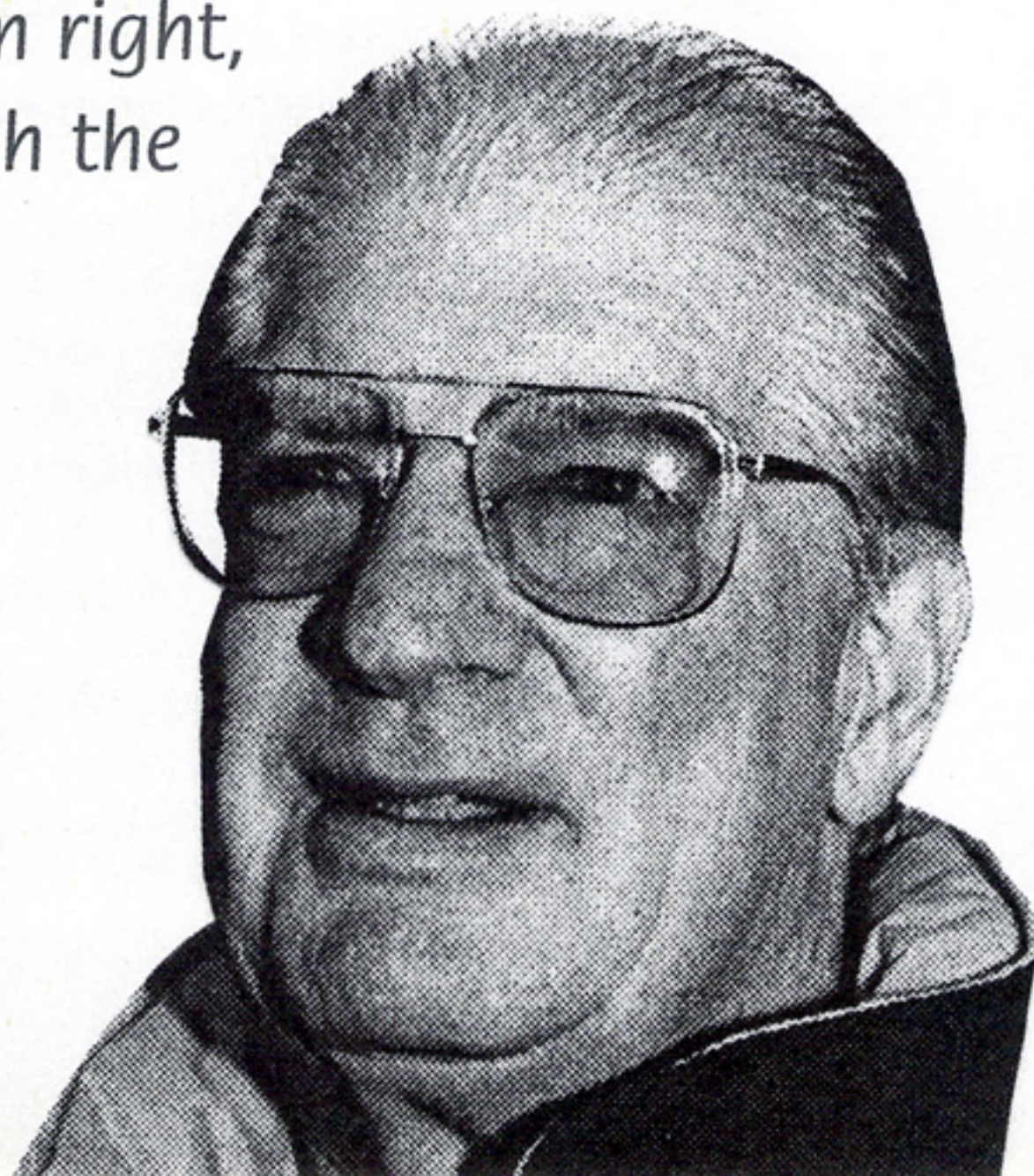
As a student taking an economics course, when something doesn't seem right, raise questions about it. In a polite way, push the issue with the professor in class. For instance, students can ask, "Is it really defensible to base all of our theory on the notion that people are completely self-seeking atoms of utility maximization?"

Another thing students can build on is that economics does recognize a distinction between market versus public goods. Market

goods are rival and excludable. My shirt is rival and excludable because it's my property and if I wear it, you can't wear it. Students can raise issues with how the whole set of goods that are non-rival are dealt with. Is the best way to deal with non-rival goods going around and making them more artificially excludable? Maybe they should be free? Where is the benefit from making knowledge artificially scarce? Many non-rival goods such as knowledge can be used sustainably in that we can all use a given piece of information as much as we want without using it up.

Certainly, much knowledge could be transferred freely to benefit the developing world. But instead, we see the opposite happening under free market ideology: "free trade" agreements include provisions on "trade related intellectual property rights" (TRIPS). This is not about free trade so much as it is an attempt to police us intellectual property rights worldwide by using the sanction of trade restriction.

*When something doesn't seem right,
raise questions about it – push the
issue with your professor.*



EVO MORALES

Translated by Federico Fuentes

Evo Morales is the president of Bolivia. He leads the national political party Movimiento al Socialismo (MAS, meaning "more"). Morales worked as a cocoa farmer and spent many years fighting for labor and environmental rights as a union leader. In the past he has been ejected from parliament and even jailed for defending sustainability and social justice. Morales, who was inaugurated in 2006, is the country's first indigenous head of state since the Spanish conquest.

The world is suffering from a fever due to climate change and the disease is the capitalist development model. While over 10,000 years the variation in carbon dioxide (CO₂) levels on the planet was approximately ten percent, during the last 200 years of industrial development carbon emissions have increased by 30 percent. Since 1860 Europe and North America have contributed 70 percent of the emissions of CO₂. Furthermore, 2005 was the hottest year in the last thousand years on this planet.

Different investigations have demonstrated that out of the 40,170 living species that have been studied, 16,119 are in danger of extinction. One out of eight birds could disappear forever. One out of four mammals is under threat. One out of every three reptiles could cease to exist. Eight out of ten crustaceans and three out of four insects are at risk of extinction. We are living through the sixth crisis of the extinction of living species in the history of the planet and, on this occasion, the rate of extinction is 100 times more accelerated than in geological times.

Faced with this bleak future, transnational interests are proposing to continue as before but paint the machine green: continue with growth, irrational consumerism and inequality in order to generate more and more profits. What they don't realize is that we are currently consuming in one year what the planet produces in one year and three months. Faced with this reality, the solution cannot be an

environmental makeover.

I read in the World Bank report that in order to mitigate the impacts of climate change we need to end subsidies on hydrocarbons, put a price on water and promote private investment in the clean energy sector. Once again they want to apply market recipes and privatization in order to carry out business as usual; and with it, the same illnesses that these policies produce. The same occurs in the case of biofuels, given that to produce one liter of ethanol requires 12 liters of water. In the same way, to process one ton of agrifuels requires, on average, one hectare of land.

We – the indigenous peoples and humble and honest inhabitants of this planet – believe that the time has come to put a stop to this, in order to rediscover our roots, with respect for Mother Earth; with the *Pachamama* as we call her in the Andes. Today the indigenous peoples of Latin America and the world have been called upon by history to convert ourselves into the vanguard of the struggle to defend nature.

We need a profound change of direction, at the worldwide level, in order to stop being the condemned of the earth. The countries of the North need to reduce their carbon emissions by between 60 and 80 percent if we want to avoid a temperature rise of more than two degrees, which would provoke global warming of catastrophic proportions for life and nature.

We need to create a World Environment Organization which is binding. This then can discipline the World Trade Organization,

which is at present propelling us toward barbarism. We can no longer continue to talk of growth in Gross National Product without taking into consideration the destruction and wastage of natural resources. We need to adopt an indicator that allows us to consider, in a combined way, the Human Development Index and the Ecological Footprint in order to measure our environmental situation.

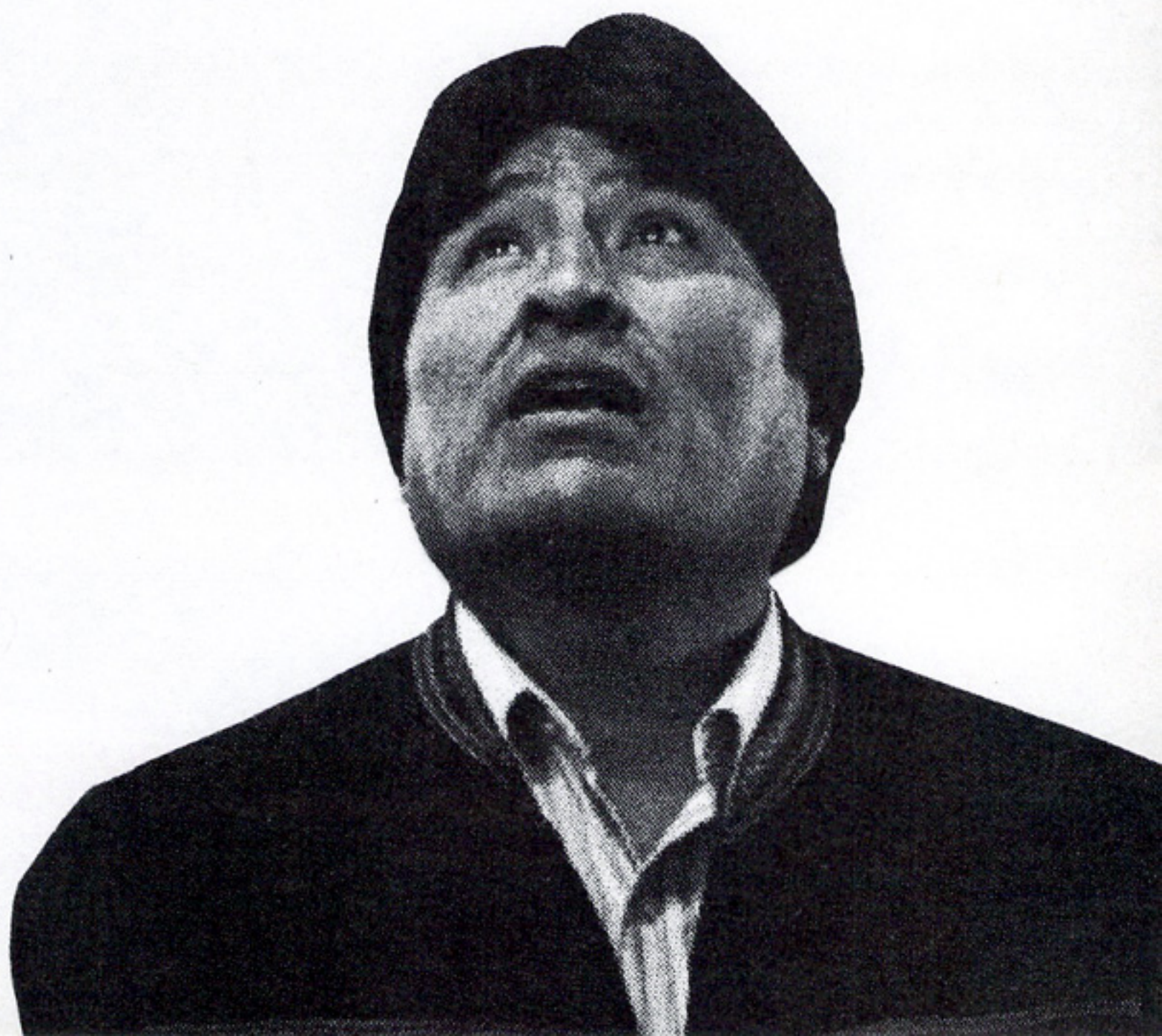
We need to apply harsh taxes on the super concentration of wealth and to adopt effective mechanisms for its equitable redistribution. It is not acceptable that three families can have an income superior to the combined GDP of the 48 poorest countries. We cannot talk of equity and social justice while this situation continues.

The United States and Europe consume, per

head, 8.4 times more than the world average. It is necessary for them to reduce their level of consumption and recognize that all of us are guests of this same land; of the same Pachamama.

I know that change is not easy ... but I have absolute confidence in human beings, in their capacity to reason, to learn from mistakes, to recuperate their roots and to change in order to forge a just, diverse, inclusive, equilibrated world in harmony with nature.

We need a profound change of direction at the worldwide level, in order to stop being the condemned of the earth.





CREATE AN EDGY, FUN, CARNIVAL MOOD

IV

YOUR PLACE IN THE REVOLUTION

At critical times throughout history, university students have sparked massive protests, calling their leaders on their lies and steering their nations in brave new directions. It happened on hundreds of campuses around the world in the 1960s and, more recently, in South Korea, China and Indonesia. It happened again in Greece last year and, as we go to print, it's happening in Iran.

In this section of the book we feature a series of provocations – mindbombs – designed to explode in the unsuspecting brain, wiping out old neuronal networks and creating spaces for new ones to grow. Download the ones you like at kickitover.org and whack them up in the corridors of your department and around campus. Have some fun. Whip up debate. Invite dissenting guest speakers. Relish in the thrill of playing cat and mouse with your professors. And send us your best mindbombs and winning strategic moves so that we can share them with student groups everywhere.

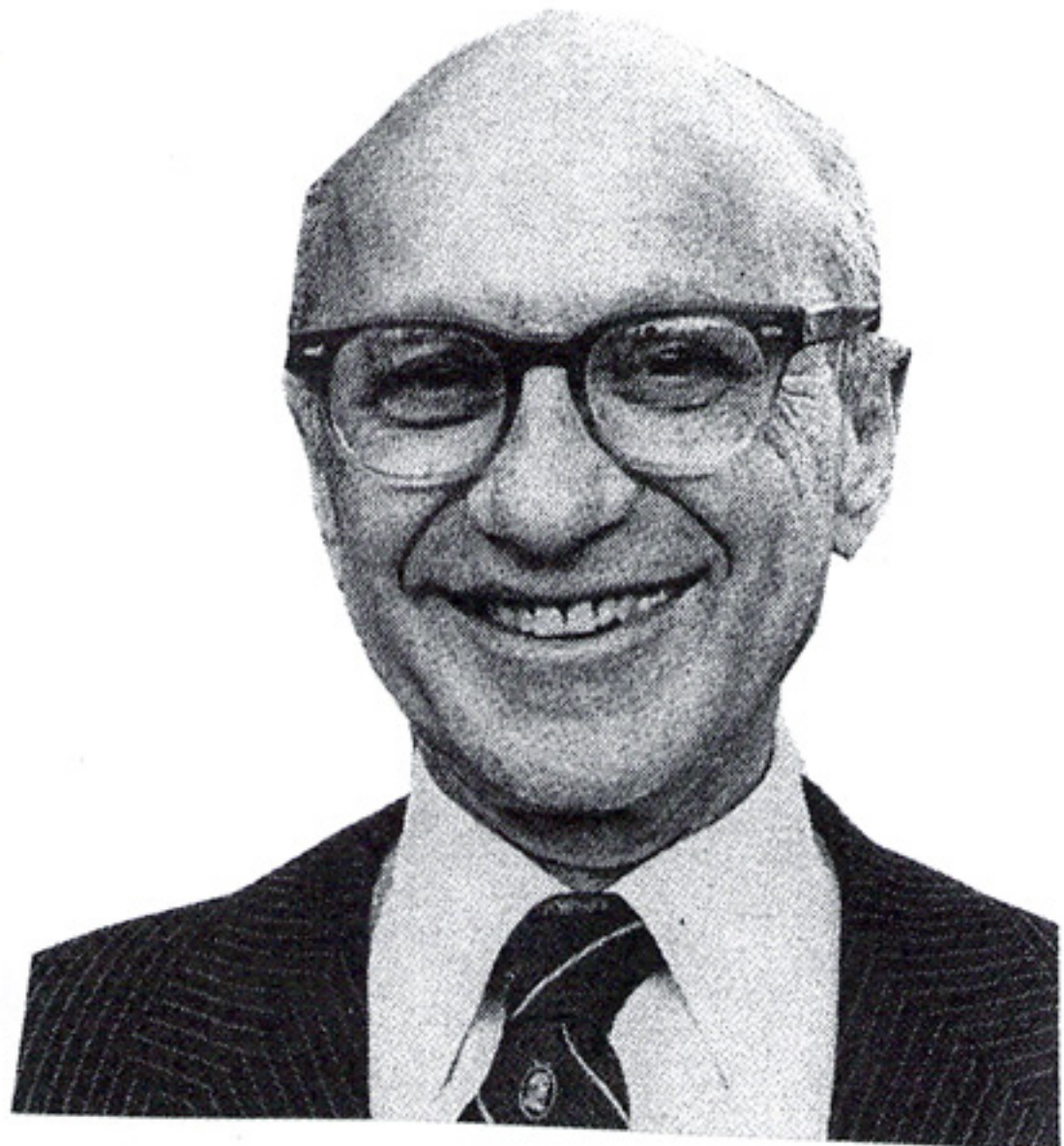
Neoclassical economics – the theoretical foundation of our unsustainable global system – is a bucket that's ready to tip ... all it needs is for students in economics departments around the world to rise up and give it one good kick!

MORE AT KICKITOVER.ORG



IVORY TOWER UNSWAYED BY CRASHING ECONOMY

by Patricia Cohen



John Maynard Keynes, left, advocated government intervention in the economy. While Milton Friedman, right, disdained it.

For years economists who have challenged free market theory have been the Rodney Dangerfields of the profession. Often ignored or belittled because they questioned the orthodoxy, they say, they have been shut out of many economics departments and the most prestigious economics journals. They got no respect.

That was before last fall's crash took the economics establishment by surprise. Since then the former Federal Reserve chairman Alan Greenspan has admitted that he was shocked to discover a flaw in the free market model and has even begun talking about temporarily nationalizing some banks. A *Newsweek* cover last month declared, "We Are All Socialists Now." And at the latest annual meeting of the American Economic Association, Janet Yellen, president of the Federal Reserve Bank of San Francisco, said, "The new enthusiasm for fiscal stimulus, and particularly government spending, represents a huge evolution in mainstream thinking."

Yet prominent economics professors say their academic discipline isn't shifting nearly as much as some people might think. Free market theory, mathematical models and hostility to government regulation still reign in most economics departments at colleges and universities around the country. True, some new approaches have been explored in recent years, particularly by behavioral economists who argue that human psychology is a crucial element in economic decision making. But the belief that people make rational economic decisions and the market automatically adjusts to respond to them still prevails.

The financial crash happened very quickly

while “things in academia change very, very slowly,” said David Card, a leading labor economist at the University of California, Berkeley. During the 1960s, he recalled, nearly all economists believed in what was known as the Phillips curve, which posited that unemployment and inflation were like the two ends of a seesaw: as one went up, the other went down. Then in the 1970s stagflation – high unemployment and high inflation – hit. But it took ten years before academia let go of the Phillips curve.

James K. Galbraith, an economist at the Lyndon B. Johnson School of Public Affairs at the University of Texas, who has frequently been at odds with free marketers, said, “I don’t detect any change at all.” Academic economists are “like an ostrich with its head in the sand.”

“It’s business as usual,” he said. “I’m not conscious that there is a fundamental re-examination going on in journals.”

Unquestioning loyalty to a particular idea is what Robert J. Shiller, an economist at Yale, says is the reason the profession failed to foresee the financial collapse. He blames “groupthink,” the tendency to agree with the consensus. People don’t deviate from the conventional wisdom for fear they won’t be taken seriously, Mr. Shiller maintains. Wander too far and you find yourself on the fringe. The pattern is self-replicating. Graduate students who stray too far from the dominant theory and methods seriously reduce their chances of getting an academic job.

“I fear that there will not be much change in basic paradigms,” Mr. Shiller wrote in an email message. “The rational expectations models will be tweaked to account for the current crisis. The basic curriculum will not change.”

“I hope I am wrong,” he added.

The political undercurrent undoubtedly makes change more difficult. There is a Crayola

box full of differently named economic schools that are critical of mainstream free-market theory, but these heterodox – as opposed to orthodox – economists generally tend to fall into the liberal camp.

Given the short time span since the crisis began, no one expects large curriculum changes yet. But in addition to Berkeley and the University of Texas, professors at a number of departments including those at the University of Chicago, Harvard, Yale and Stanford, say they are unaware of any plans to reassess their curriculums and reading lists, or to rethink the way introductory courses are organized.

John B. Taylor, an economist at Stanford and one of President George W. Bush’s advisors, whose forthcoming book is titled *Getting Off Track: How Government Actions and Interventions Caused, Prolonged and Worsened the Financial Crisis*, said he was planning to update his introductory textbook, *Principles of Macroeconomics*, because of the crash. But while the revision will include information about the financial crisis, he said, explanations of fundamental principles won’t change.

To Philip J. Reny, chairman of the economics department at the University of Chicago – Milton Friedman’s intellectual home and free market headquarters – such caution is a good thing. “Academia typically moves slowly and carefully and thoughtfully,” he said. “There is a lot of speculation in the press as to why the financial system collapsed,” he added, but a lot of “work needs to be done to figure out what really happened, which dominoes are in front and caused others to fall.”

Outside of the classroom, debates about the crash are taking place in several public lectures and faculty workshops on the subject. But “before we’re certain of what the answer is, we’re unlikely to think in terms of changing

rational utility maximizer



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the curriculum," Mr. Reny added. "That's very serious. The responsible thing to do is wait until we have some understanding of what went on here."

There are a handful of departments that have welcomed alternative theorists, like the University of Massachusetts, Amherst; the University of Massachusetts, Boston; the University of Utah; and the University of Missouri, Kansas City (where the *Heterodox Economics Newsletter* is published).

To Mr. Galbraith and L. Randall Wray, an economist at Missouri, the two thinkers whose work is most relevant today are John Maynard Keynes, who argued that the government should spend its way out of the Great Depression, and Hyman Minsky, who maintained that financial institutions could

problem wasn't with the economics but with the economists." Theories and models are tools, but "we have fixated on one of the possible hundreds of models and elevated that above the others," he said, referring to free market theory. "We form a narrative of the moment, which fits the zeitgeist."

For many the narrative that seemed to best explain the experiences of the 1970s, '80s and '90s, when the Soviet economy collapsed, and India and China became more market oriented was told by free market theorists.

A real shift among economists will come only if there is a wholesale collapse, Mr. Wray and Mr. Card agreed. If unemployment is still high three years from now, then you might start to see a paradigm shift, Mr. Card said; economists will "have to say that the market

A real shift among economists will come only if there is a wholesale collapse

prompt ruinous crashes by taking on too much risk. Neither, Mr. Galbraith said, is part of the core curriculum in most economics graduate programs.

When asked why graduate students don't study Keynes or Minsky, Mr. Reny replied that graduate students work on subjects – like real models of business cycles – that are at the frontier of the field; by contrast Keynes and Minsky are not on the frontier anymore.

Mr. Wray prefers to call such mathematical modeling "the frontier of nonsense." For more than a decade Mr. Wray has asserted that both the theory and the models used by risk-rating agencies are wrong. He has been invited to speak at the University of Chicago, he said, but by social science graduate students, not by the economics department.

When it comes to the financial crisis Dani Rodrick, an economist at Harvard, said, "The

isn't supposed to work this way." But if the economy bounces back in a year, then they will be able to dismiss the financial crash as an anomaly that is unimportant to the larger theory, he added.

A field shifts, Mr. Card and Mr. Wray said, not so much because the wise elders change their minds, (they are too invested in the way things are), but rather because a new generation of scholars comes along and pushes into new areas of research.

Patricia Cohen is a journalist for the *New York Times*.

ASK YOUR PROF:
IS THERE A FREE
MARKETPLACE OF IDEAS
WITHIN THE PROFESSION
OF ECONOMICS?

Spray it!



THE POST-AUTISTIC MOVEMENT

The post-autistic economics movement is one of the great early eruptions of student anger against a dry, mathematical and statistics-based science that seems to have no soul. Make a few copies of this article and hand them out.

Paris, France

The university-aged children of France's ruling class ought to have been contentedly biding their time. They were, after all, destined to move into high-powered positions reserved for graduates of the elite *École Normale Supérieure* (ENS). "The ENS is for very good students, and very good students aren't afraid to ask questions," says Sorbonne economist Bernard Guerrien.

He was addressing a conference on the disconnect between mainstream neoclassical economics instruction and reality. Economics has an ideological function, he told them, to put forth the idea that the markets will resolve everything. In fact, he added, economic theory absolutely doesn't show that.

A group of economics students, their worst fears confirmed, approached Guerrien eager to "do something." A week later 15 of them gathered in a classroom to hash out a plan of attack. Someone called the reigning neoclassical dogma "autistic!" The analogy would stick: like sufferers of autism, the field of economics was intelligent but obsessive, narrowly focused and cut off from the outside world.

By June their outrage had coalesced into a petition signed by hundreds of students demanding reform within the teaching of economics, which, they said, had become enthralled with complex mathematical models that only operate in conditions that don't exist. "We wish to escape from imaginary worlds!" they declared. Networking through the Internet and reaching the media through powerful family connections, they made their case.

"Call to teachers: Wake up before it's too

late!" they demanded. "We no longer want to have this autistic science imposed on us." They decried an excessive reliance on mathematics "as an end in itself" and called for a plurality of approaches.

With that, *autisme-économie*, the post-autistic economics (PAE) movement, was born.

Their revolutionary arguments created an earthquake in the French media, beginning with a report in *Le Monde* that sent a chill through the academic establishment. Several prominent economists voiced support, and a professors' petition followed. The French government, no doubt recalling the revolutionary moment of May 1968, when students led a ten-day general strike that rocked the republic to its foundations, promptly set up a special commission to investigate. It was headed by leading economist Jean-Paul Fitoussi, who also traveled to Madrid to address Spain's nascent "post-autistic" student movement. Fitoussi's findings: the rebels had a cause. Most important to the PAE, Fitoussi agreed to propose new courses oriented to "the big problems" being ignored by mainstream economics: unemployment, the economy and the environment.

A backlash was inevitable. Several economists (notably the American Robert Solow from MIT), launched a return volley. What followed was an attempt to discredit the PAE by implying that the students were anti-intellectuals opposed to the "scientificity" of neoclassical economics. The accusations didn't stick: the dissenters were top students who had done the math and found it didn't add up.

Gilles Raveaud, a key PAE student leader,

along with Emmanuelle Benicourt and Ioana Marinescu, sees today's faith in neoclassical economics as "an intellectual game" that, like Marxism and the Bible, purports to explain everything, rather than admitting there are many issues it hasn't figured out. "We've lost religion," says Raveaud, "so we've got something else to give meaning to our lives."

Benicourt described his hope for PAE as follows: "We hope it will trigger concrete transformations of the way economics is taught ... We believe that understanding real-world economic phenomena is enormously important to the future well-being of humankind, but that the current narrow, antiquated and naive approaches to economics and economics teaching make this understanding impossible ... We therefore hold it to be extremely important, both ethically and economically, that reforms like the ones we have proposed are, in the years to come, carried through, not just in France but throughout the world."

Cambridge, United Kingdom

Raveaud and Marinescu, key French PAE student leaders, visited the Cambridge Workshop on Realism and Economics in the UK. "It must have been the right time," says Phil Faulkner, a PhD student at Cambridge University. That June he and 26 other disgruntled PhD students issued their own reform manifesto, called "Opening Up Economics," that soon attracted 750 signatures. Economics students at Oxford University who had been at the same workshop followed with their own "post-autistic" manifesto and website. Similar groups linked to heterodox (as opposed to orthodox) economics began emerging elsewhere in Europe and South America.

The Cambridge rebellion "was prompted by frustration," says Faulkner, but they hadn't expected such a positive reception from fellow students. "If anyone were to be happy about the way economics had gone, we'd expect it to be PhD students, because if they were unhappy with it, they simply wouldn't be here. In fact,

that wasn't the case."

As expected, Cambridge ignored them. Their efforts, Faulkner explains, were meant to show support for the French students and to use their privileged position at the esteemed economics department to demonstrate to the rest of the world their discontent. Some of the signatories worried that speaking out could have dire consequences, and the original letter was unsigned. "I think it's more future possibilities, getting jobs, etc., that [made them think] it might not be smart to be associated with this stuff," says Faulkner. He says he already knew that his research interests meant he would have to work outside of the mainstream: "There was nothing to lose really."

Edward Fullbrook, a research fellow at the University of the West of England, had already launched the first *Post-Autistic Economics Newsletter* in September 2000. Inspired by the French student revolt and outraged by stories emerging from American campuses that courses on the history of economic thought were being eradicated (which he viewed as an effort to facilitate complete indoctrination of students), Fullbrook battled hate mail and virus attacks to get the newsletter off the ground. Soon prominent economists such as James Galbraith stepped up to offer encouragement and hard copy. The subscriber list ballooned from several dozen to 7,500 people around the world.

Fullbrook edited *The Crisis in Economics*, a book based on PAE contributions and now being translated into Chinese. Textbook publishers, always hunting for the next big thing, have been inquiring about PAE textbooks. It makes sense, says Fullbrook, since enrollments in standard economics classes have been dropping, cutting into textbook revenues. In other words, students just aren't buying it. Ironically, says Fullbrook, "Market forces are working against neoclassical economics."

One of his contributors is Australian economist Steve Keen, who led a student rebellion in 1973 that led to the formation of a political economy department at Sydney University. "Neoclassical economics has

become a religion," says Keen. "Because it has a mathematical veneer, and I emphasize the word *veneer*, they actually believe it's true. Once you believe something is true, you're locked into its way of thinking unless there's something that can break in from the outside and destroy that confidence."

But the neoclassical model still reigns supreme at Cambridge. Faulkner now teaches at a university college, but is limited to mainstream economics – the only game in town. "If you're into math, it's a fun thing to do," he says. "It's little problems, little puzzles, so it's an enjoyable occupation. But I don't think it's insightful. I don't think it tells these kids about the things it claims to describe: markets or individuals."

Harvard, USA

Sitting in an overcrowded café near Harvard Square, talking over the din of full-volume Fleetwood Mac and espresso-fueled chatter, Gabe Katsh describes his disillusionment with economics teaching at Harvard University. The red-haired 21-year-old makes it clear that not all of Harvard's elite student body, who pay close to \$40,000 a year, are the "rationally" self-interested beings that Harvard's most influential economics course pegs them as.

"I was disgusted with the way ideas were being presented in this class, and I saw it as hypocritical – given that Harvard values critical thinking and the free marketplace of ideas – that they were then having this course which was extremely doctrinaire," says Katsh. "It only presented one side of the story when there are obviously others to be presented."

For two decades Harvard's introductory economics class has been dominated by one man: Martin Feldstein. It was a *New York Times* article on Feldstein titled "Scholarly Mentor to Bush's Team," that lit the fire under the Harvard activist. Calling the Bush economic team a "Feldstein alumni club," the article declared that he had "built an empire of influence that is probably unmatched in his field." Not only that, but thousands of Harvard

students "who have taken his, and only his, economics class during their Harvard years have gone on to become policy makers and corporate executives," the article noted. "I really like it; I've been doing it for 18 years," Feldstein told the *Times*. "I think it changes the way they see the world."

That's exactly Katsh's problem. As a freshman, he'd taken Ec 10, Feldstein's course. "I don't think I'm alone in thinking that Ec 10 presents itself as politically neutral, presents itself as a science, but really espouses a conservative political agenda and the ideas of this professor, who is a former Reagan advisor, and who is unabashedly Republican," he says. "I don't think I'm alone in wanting a class that presents a balanced viewpoint and is not trying to cover up its conservative political bias with economic jargon."

In his first year at Harvard, Katsh joined a student campaign to bring a living wage to Harvard support staff. Fellow students were sympathetic, but many said they couldn't support the campaign because, as they'd learned in Ec 10, raising wages would increase unemployment and hurt those it was designed to help. During a three-week sit-in at the Harvard president's office, students succeeded in raising workers' wages, though not to "living wage" standards.

After the living wage "victory," Harvard activists from Students for a Humane and Responsible Economics (SHARE) decided to stage an intervention. This time they went after the source, leafleting Ec 10 classes with alternative readings. For a lecture on corporations they handed out articles on corporate fraud. For a free trade lecture they dispensed critiques of the WTO and IMF. Later they issued a manifesto reminiscent of the French post-autistic revolt, and petitioned for an alternative class. Armed with 800 signatures, they appealed for a critical alternative to Ec 10. Turned down flat, they succeeded in introducing the course outside the economics department.

Their actions follow on the Kansas City Proposal, an open letter to economics departments "in agreement with and in support

of the Post-Autistic Economics Movement and the Cambridge Proposal” that was signed by economics students and academics from 22 countries.

Harvard’s then-president, Lawrence Summers, illustrates the kind of thinking that emerges from neoclassical economics. Summers is the same former chief economist of the World Bank who sparked international outrage after his infamous memo advocating pollution trading was leaked in the early 1990s. “Just between you and me, shouldn’t the World Bank be encouraging MORE migration of the dirty industries to the LDCs [Less Developed Countries]?” the memo inquired. “I think the economic logic behind dumping a load of toxic waste in the lowest wage country is impeccable, and we should face up to that ... I’ve always thought that underpopulated countries in Africa are vastly UNDER-polluted ...”

Brazil’s then-Secretary of the Environment, José Lutzenburger, replied: “Your reasoning is perfectly logical but totally insane ... Your thoughts [provide] a concrete example of the unbelievable alienation, reductionist thinking, social ruthlessness and arrogant ignorance of many conventional ‘economists’ concerning the nature of the world we live in.”

Summers later claimed the memo was intended ironically, while reports suggested that it was written by an aide. In any case, Summers devoted his 2003/2004 prayer address at Harvard to a “moral” defense of sweatshop labor, calling it the “best alternative” for workers in low-wage countries.

“You can’t ignore the academic foundations for what’s going on in politics,” says Jessie Marglin, a Harvard sophomore with SHARE. SHARE didn’t want a liberal class with its own hegemony of ideas. It wanted “a critical class in which you have all the perspectives rather than just that of the right.” Without an academic basis for criticism, other approaches “aren’t

legitimized by the institution,” she says. “It becomes their word versus Professor Feldstein, who is very powerful.”

Harvard economics professor Stephen Marglin, Jessie’s father, teaches the new course. A faculty member since 1967, Marglin was at the tail end of a generation formed by the Great Depression and World War II. “This generation,” he says, “believed that in some cases markets could be the solution, but that markets could also be the problem.”

His new course still uses the Ec 10 textbook, but includes a critical evaluation of the underlying assumptions. Marglin wants to provide balance, rather than bias.

“I’m trying to provide ammunition for people to question what it is about this economic [system] that makes them want to go out in the streets to protest it,” he says. “I’m responding in part to what’s going on, and I think the post-autistic economics group is responding to that. Economics doesn’t lead politics, it follows politics. Until there is a broadening of the political spectrum beyond a protest in Seattle or a protest in Washington, there will not be a broader economics. People like me can plant a few seeds, but those seeds won’t germinate until the conditions are a lot more suitable.”

The revolution is spreading. A slogan emblazoned on a wall on a Madrid campus, where the PAE movement has been making inroads, makes its case: “*¡La economía es de gente, no de curvas!*” – “Economics is about people, not curves!”

Deborah Campbell is an author and journalist who has written on international affairs for numerous publications including *Harper’s* and the *Economist*. A former associate editor at *Adbusters*, she teaches nonfiction writing at the University of British Columbia.

ASK YOUR PROF:
DO YOU REMEMBER IF THE POST-AUTISTIC MOVEMENT EVER HAD AN IMPACT ON OUR UNIVERSITY?

POST-AUTISM AND POLITICAL CORRECTNESS

In this article, Mitra-Khan talks not just about the fate of the post-autistic economics movement, but of all revolutionary movements. They have a thrilling spring, a fiery summer and then, inevitably, they become bureaucratized, lose their vigor and fall.

"The most radical revolutionary will become a conservative the day after the revolution."

—Hannah Arendt, *New Yorker*, 1970.

Where did the *Post-Autistic Economics Review* go? Remember the summer of 2000 when a group of French economics students wrote a letter to their professors? It probably did not occur to these students that this letter would propel both French academia and economics into the world spotlight. But that is exactly what happened: they had hit a nerve.

The students denounced economics as a discipline which had separated from history, society and indeed reality. They declared: "We no longer want to have this autistic science imposed on us."

Suddenly, with coverage from *Le Monde* and other media, what was a student mission statement of sorts became a movement supported by academics from across the theoretical spectrum. Nobel Prize winners to undergraduate students agreed with the core message of the French students: It was time for change in economics. Telling the truth became a revolutionary act.

This movement led to the creation of the Post-Autistic Economics Network and the *Post-Autistic Economics Newsletter* in September 2000. In only ten issues and barely 14 months, the newsletter became a full-fledged journal: the *Post-Autistic Economics Review*.

The story could end there, but as of March 2008, the *Post-Autistic Economics Review* is gone. Why? Has economics reconnected with society and history? Are students learning an applied social science? Did the revolution come and go quietly? No.

Why did we have a post-autistic journal? Because it is noticed. Because it has an underlying message. It is controversial and

provocative ... and almost always stimulates conversation. It is perfect for students and academics who want to stand up and make people pay attention. It is not the *American Economic Review* or the *World Bank Economic Review*.

So what happened? Sociologists would say that social movements must be understood as reactions to and against the deepening irreversibility of certain forms of domination and hegemonic power. Once the activists feel that their work is accepted or gets drawn into mainstream politics (and publishing), the need for their alternative model and for radicalism is spent. Did it only take eight years for the flame of post-autistic economics to be extinguished?

Consider the language in the first newsletter, where the editors note US economists who "spoke of the increasing 'Stalinization' of the profession." They cite a Belgian article, "Economie autiste," that "both reported on the events in France and offered its own analysis of neoclassical economics as a quaint political ideology masquerading as science." The editors agree that there is "'a real schizophrenia' created by making modeling 'an end in itself' and thereby cutting economics off from reality and forcing it into a state of 'autism.'" The language is strong, provocative and unapologetic.

Moreover, the post-autistic economists called for action "to bring sanity, humanity and science back to economics." We should get involved: "Click on your forward button and send this issue to someone." When new universities joined the cause, the editors would urge the readers to sign the petitions. Clear optimism, encouragement, winds of change, and now ...

Now those same editors seem to have lost sight of their original purpose, as we have the rather uninspiring, and uncontroversial *Real-World Economics Review*.

"There is no monument dedicated to the memory of a committee."

—Lester J. Pourciau

If ever there was an example of name by committee, the name change of the *Post-Autistic Economics Review* is a textbook case. One can almost imagine the meeting: Committee member A points out (correctly) that autism is a serious condition and not to be taken lightly. Member B adds, upon reflection (and recalling a documentary on savants), that people with autism can have a great deal of insight, and perform amazing feats, despite a lack of social skills, and this was definitely not what they wanted to say about neoclassical economics. Member C notes that the journal has changed its name before, and members D and E recall submitting their CVs and being asked why they didn't publish in something "serious" or more traditional? At the back of the committee's mind are the book publishers, who are uncomfortable with the headline *Post-Autism* for the forthcoming volume of papers taken from the journal – they would prefer something more ... mainstream?

It seems this committee separated itself from the history and context of the journal and found itself logically suggesting, timidly at first, a name change, so the journal could be more serious/publishable/respectable/sellable. Doesn't this make it the *bête noire* of post-autistic economics? Politically correct, academically neutral and out of context. If so, the journal may as well disappear in the sea of other titles which makes up a "decent" CV and does not upset anyone.

Did the readers ever complain about the old name? Were we consulted on the new? Why not? Maybe because we felt it appropriate? In fact, Nobel laureates and students alike found it appropriate both to read and to contribute to the journal. The *Post-Autistic Economics Review* established a "brand" name and a movement in economics, and this is also important. So what rational, social and contextual justification is there for this change? Personally, I cannot see one, and rather than pursue this unnecessary

course of politically correct, red, purple and blue action, could we please have our *Post-Autistic Economics Review* back? We know what autistic means, and no, we are not offended.

Benjamin H. Mitra-Kahn is a PhD candidate in economics at City University, London and at The New School, New York. He is based in London and on www.mitrakahn.com.

NOTE

I alone am responsible for both the journal's original name and the name change. Nonetheless, the committee that Mitra-Kahn so vividly describes existed in part in my mind when considering the change, and so his analysis is close to the mark.

But there is another and more personal dimension to the history of the journal's name, which, I fear, reveals my naiveté. In American English the word "autistic" predates its clinical use. For example, *The American Heritage Dictionary of the English Language* gives the word's primary meaning as: "Abnormal subjectivity; acceptance of fantasy rather than reality." It was the word's general meaning rather than its clinical one that I thought I was signaling. In choosing the name "Post-Autistic Economics Newsletter," autism did not figure in my thoughts, nor, stupidly, did it occur to me that others would – in the context of economics – read the word in the context of psychology. Nor was I aware that the word "autistic" in its general and primary sense was inoperative in British English. Even so, it is possible that if I had been better informed regarding the word "autistic" I would have chosen it anyway. With hindsight it appears to have served an important cause, one potentially affecting billions, rather well. It was the committee's judgment, however, that the label – at least for the journal – has outlived its usefulness. But like individuals, committees are often wrong.

Edward Fullbrook, editor, Real-World Economics Review.

Kick It Over Manifesto

We, the undersigned, make this accusation: that you, the teachers of neoclassical economics and the students that you graduate, have perpetuated a gigantic fraud upon the world.

You claim to work in a pure science of formula and law, but yours is a social science, with all the fragility and uncertainty that this entails. We accuse you of pretending to be what you are not.

You hide in your offices, protected by your mathematical jargon, while in the real world, forests vanish, species perish and human lives are callously destroyed. We accuse you of gross negligence in the management of our planetary household.

You have known since its inception that one of your measures of economic progress, the Gross Domestic Product, is fundamentally flawed and incomplete, and yet you have allowed it to become a global standard, reported day in, day out in every form of media. We accuse you of recklessly projecting an illusion of progress.

You have done great harm, but your time is coming to a close. Your systems are crumbling, your flaws increasingly laid bare. An economic revolution has begun, as hopeful and determined as any in history. We will have our clash of economic paradigms, we will have our moment of truth, and out of each will come a new economics – open, holistic, human-scale.

On campus after campus, we will chase you old goats out of power. Then, in the months and years that follow, we will begin the work of reprogramming your doomsday machine.

Sign the manifesto at
KICKITOVER.ORG

Here

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Nail this Manifesto
(Martin Luther-like)
to your prof's door.

NEOCON INDOCTRINATION – THE MANKIW WAY

by Gilles Raveaud, PhD, Economics

This cheeky article caught Mankiw's attention when we ran it in Adbusters #75. We asked him to engage with us in a debate, but he refused. That was before the meltdown. Now it's time to challenge him again – this time with feeling!

You might not have heard of N. Gregory Mankiw. The Harvard economics professor and former adviser to George W. Bush is one of the most gifted economists of our generation. He is also one of the most effective and talented propagandists of our times. His target: young economics students. His field of operation: the world's universities. His weapon: the best-selling textbook in the world. It includes 36 chapters and 800 pages of color illustrations, graphs, stories and interesting asides. Don't worry if you or your kids don't speak English, Mankiw's text surely exists in your language.

What is most worrisome is that Mankiw's text presents economics as a unified discipline, one entirely committed to the neoliberal agenda. Mankiw believes that markets are the solution to everything – and he would like students to believe likewise. According to Mankiw, if a problem persists, it can only be for one of two reasons: the market is imperfect, or it is nonexistent. No other explanation for persisting economic or social problems is permitted.

Unemployment is an example of the market being imperfect. For Mankiw, if unemployment exists, it is only because of human interventions such as unemployment benefits, trade unions and minimum wages. Without these interventions, he maintains, there can be no unemployment. Mankiw presents this as a consensual view among economists. In fact quite a few of them admit that the labor market is a very special "market" indeed, where the price – the wage – is not set the same way as the price of other "goods." As Alan Krueger put it, "it is a gross oversimplification to say that 'wages are set by the competitive

forces of supply and demand' or that there is a unique, market-determined wage."

This specificity in the way wages are set is one of the reasons why 600 economists (including stars like Kenneth Arrow, Robert Solow and Joseph Stiglitz) have recently argued in favor of an increase of the US minimum wage. But when students and workers at Harvard asked for a "living wage," Mankiw opposed it. As he told *Harvard Magazine* in 2001, even a modest raise in the minimum wage for janitors at Harvard would "compromise the university's commitment to the creation and dissemination of knowledge." No kidding. Of course, Mankiw does not discuss the possibility that the salary of tenured professors might be above its "equilibrium" value; not to mention the very existence of tenure, which goes against the principles of a perfectly competitive labor market.

While unemployment is an example of an imperfect market for Mankiw, pollution is an example of the nonexistent market. He admits that, in some cases, markets do not ensure that the environment is clean, and the result is excessive pollution (what economists call a "negative externality"). But what is the solution to pollution? According to Mankiw, it is to define property rights to pollute. Public authorities would issue "pollution permits" to polluting companies (who then cannot pollute more than the amount covered by the permits they hold). Companies then buy and sell these permits on the market, depending on how much they will pollute in a year. The fewer the permits, the higher their price and the higher the incentives for firms to reduce their pollution. This system is not stupid. Indeed,

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THOUGHT CONTROL IN ECONOMICS



RUTH SKINNER



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"Gregory Mankiw is one of the most effective and talented propagandists of our times. His target: young economics students."

there are instances where such permit systems might work to solve simple pollution problems. But the problem is that, to the amazement of his students, Mankiw never mentions self-restraint, and he downplays government regulation as a way to regulate production and diminish consumption or waste. Nor does he bring up the imperative to use renewable sources of energy. In fact Mankiw even insists in his textbook that we are not running out of resources because if that were the case, the price of oil would be much higher than it is now. Climate change is a critical issue, caused by ever-growing economic activity – but it doesn't even merit an index entry in Mankiw's book.

Incredibly, in Mankiw's chapter on growth, the only two factors of production cited are capital and labor. Apparently workers and firms somehow do not use land or electricity, gas, oil and coal. They produce with their hands and their brains, and work on machines that run day and night on ... what, exactly? Nobody knows. But you can be sure that it's not energy. As natural resources and energy are absent in Mankiw's model, they cannot become a problem – for economists, that is.

Some of my students at Harvard have described Mankiw's course to me during private conversations as "massive conservative propaganda." One of them told me he thought Mankiw managed to "indoctrinate a whole generation." In 2003 a protest against a similar course proposed by professor Marty Feldstein, an ex-adviser to President Reagan, led to the creation of an alternative intro economics course taught by radical economist Steve Marglin. But while Mankiw's course gives the required credits to students, Marglin's does not. As a result, Mankiw has around 800 students, and Marglin 100. Not to mention the more than 100,000 students around the globe who learn

from Mankiw's textbook.

According to Mankiw, since markets are a good way to organize economic activity, supply and demand is just about all you need to know in economics. Whatever you desire, you can pay for in the market: tomatoes, health care, housing, a car. That's demand. On the other side of the market, firms compete to supply consumers with the latest cool clothes, mobile phones and housing. That's supply. When supply is higher than demand, the price falls (holiday travel to a country at war). When demand is higher than supply, the price rises (a war in Ivory Coast reduces the supply of cocoa). And supply and demand apply to absolutely every issue you can imagine, including organ scarcity. But Mankiw's text is all about trivial choices, such as how many slices of pizza you are willing to give up to buy yourself an extra can of Coke. This method is extremely effective in hiding the magnitude of what is at stake. The reactions of the students would be different if the textbook addressed how much health care people have to give up to be able to buy basic food. Also, the very notion of "need" is absent from Mankiw's text. One may wonder how students would feel if we discussed the fact that a millionaire's desire for a yacht will always be met because it is backed by money, while a poor family's need for a roof won't. But such discussions are avoided.

By repeating his trivial examples, Mankiw accustoms the students to the idea of individual choices and preferences. The words "poor" and "rich" are rarely used. But more surprisingly, there is also no mention of the power of corporations to shape tastes. This is because Mankiw's world is a world of small firms operating in perfectly competitive markets. "Corporate America" is not part of the picture. No McDonald's, no Nike, no Microsoft.

Also, Mankiw downplays inequality despite the growing gap between rich and poor in the

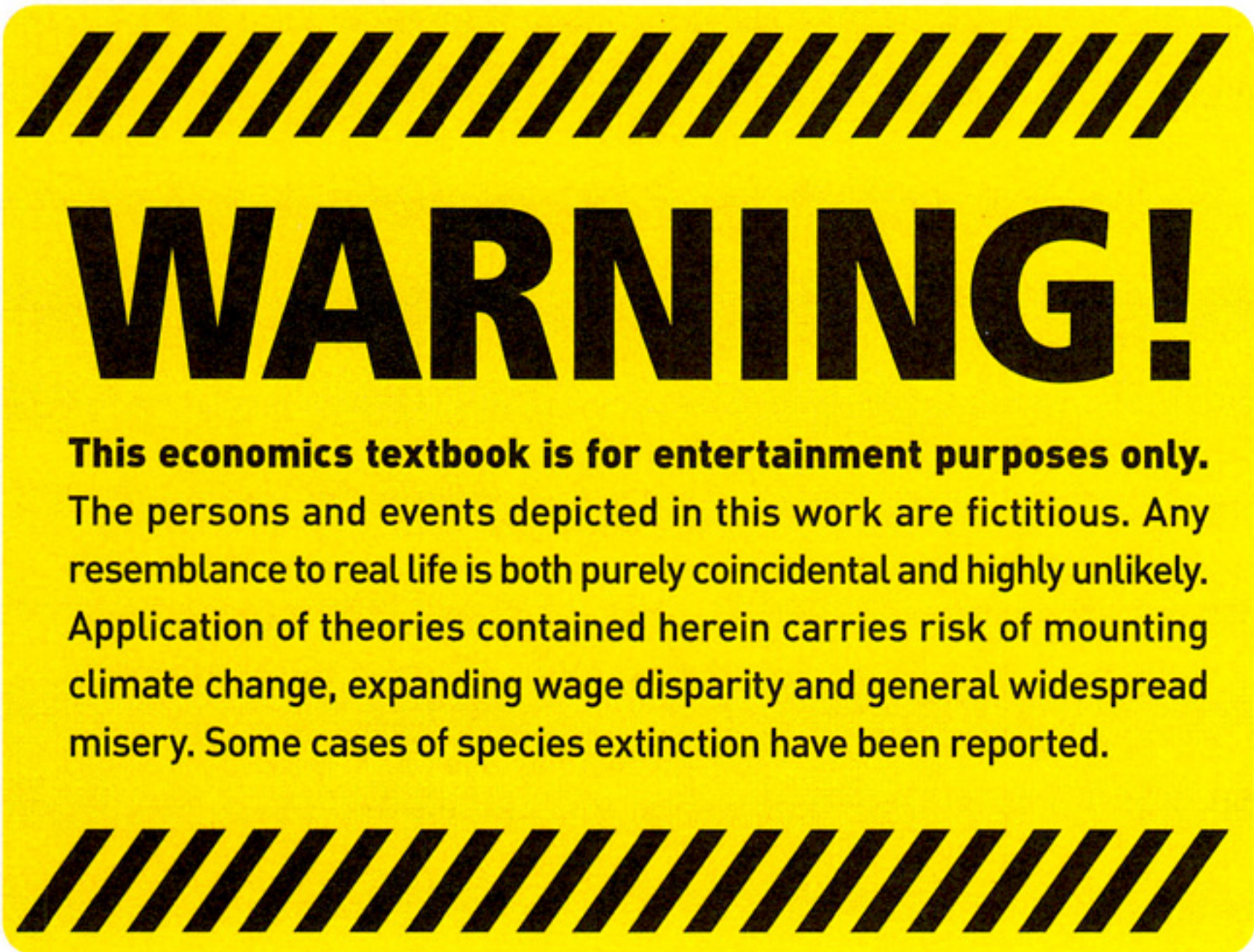
US over the last decade that has commanded the attention of more and more American economists, even within the mainstream. But Mankiw is not one of them. True, he admits there is more disparity in the US than in Europe (even if he forgets to mention that this was not the case in the 1960s). But he goes on to remark that there is less disparity in the US than in Brazil and China. So we can all relax.

Mankiw knows that the vast majority of his students are not going to become economics majors. He is not interested in training economists – his textbook is too simplistic to prepare a student for advanced study in economics. As he explicitly tells his teaching fellows, Mankiw's interest is in shaping the minds of thousands of citizens and future leaders around the world. Mankiw's world is one where "there is no such thing as a society." Rather, the world is made up of isolated individuals. But it is also a world where fairness prevails: everybody gets what they deserve. It is a world where – thanks to the magic of markets, private enterprise and property rights – standards of living rise constantly. It's a

beautiful world ... if only it existed.

While Mankiw's text is easy for professors to use, it oversimplifies economic theory and omits the ways in which markets can degrade human well-being, undermine societies and threaten the planet. Each year tens of thousands of students go out into the world with Mankiw's biases as a road map to the future. But we know that the neoliberal agenda is more and more disputed outside universities. Within universities alternative textbooks are flourishing. One can thus hope that these new textbooks, with their greater relevance to real-world problems and better acknowledgment of the diversity and complexity of economic thought, will soon out-compete Mankiw's bible. As a believer in competition, Professor Mankiw could only consider this to be fair game.

Gilles Raveaud is currently assistant professor of economics at the University Paris 8. He is cofounder of the post-autistic economics movement (paecon.net). He has a blog: www.alternatives-economiques.fr/blogs/raveaud and can be reached at gillesraveaud@gmail.com.

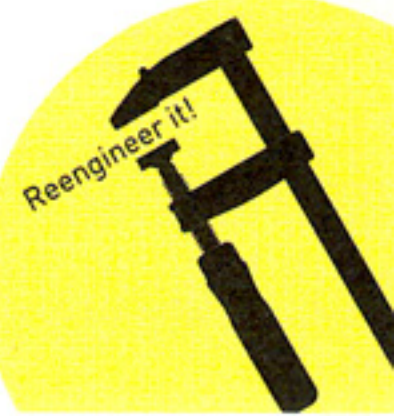


WARNING!

This economics textbook is for entertainment purposes only. The persons and events depicted in this work are fictitious. Any resemblance to real life is both purely coincidental and highly unlikely. Application of theories contained herein carries risk of mounting climate change, expanding wage disparity and general widespread misery. Some cases of species extinction have been reported.

For over a decade, Gregory Mankiw's *Principles of Economics* has been the best-selling economics textbook in the world. As chairman of President Bush's Council of Economic Advisers from 2003 to 2005, Mankiw was one of the chief architects of our current financial disaster.

Stick this label on a stack of Mankiw textbooks at your campus bookstore.





Is the economics department at your university
an anachronism stuck in the 1950s,
or is it relevant to 21st-century problems?
Use this simple diagnostic tool to find out!

**A) DOES THE TEXTBOOK USED IN YOUR INTRODUCTORY
ECONOMICS COURSE ...**

(Choose one option from each pair).

- I) imply that the economy somehow exists separately from the environment, operating magically without consuming resources or generating wastes? -10

model the economy as a subsystem of the environment: drawing on natural resources, taking over habitat and emitting wastes? +10
- II) use a circular flow diagram to explain how the economy works, misrepresenting it as a perpetual motion machine that can operate without using up any resources or energy and without generating wastes? -10

show how the laws of thermodynamics imply that each and every economic process involves using resources and energy and emitting wastes ... and include chapters on climate change, habitat loss, ecological limits and threats to biodiversity? +10
- III) model humans as atomistic, selfish, rational individuals? -10

recognize that humans are complex, social beings – only partly rational – who have real emotions and who belong to families and communities? +10
- IV) focus on perfectly competitive markets? -10

show how markets require government intervention and are dominated by large corporations with considerable power to influence politicians and consumption patterns? +10
- V) suggest markets are democratic, because each person votes with their money in the marketplace? -10

recognize that the poor have little ability to “vote” in markets? +10
- VI) make no distinction between needs versus wants

and imply that human desires for consumption can never be satiated? -10

recognize that human desires are manipulated by advertisers and that consumption ranges from meeting basic needs to frivolous wants? +10

VII) advocate further economic growth and expansion in consumption levels? -10

explain the ecological limits to further growth and the declining payoff to human well-being once income levels satisfy basic needs? +10

**B) IN THE COURSES YOU TAKE
WILL YOU LEARN ABOUT ...**

- I) Ecological economics? +10
- II) Feminist economics? +10
- III) Political economy/power/class dynamics of capitalism? +10
- IV) Ethical and philosophical aspects of economics? +7
- V) History of economic thought? +5

TOTAL SCORE:

How does your university rate?

-55 to 0 points: Shut down the department – it’s a hazardous waste site.

1 to 40 points: There’s some sign of hope, but the department urgently needs remedial learning.

41 to 75 points: You’re in one of the world’s better universities.

A TEXTBOOK INSURGENCY

by Jasper Henderson

We sit around three clusters of whirring computers, watching our high school teacher read the lecture notes prepared from Harvard University professor Gregory Mankiw's textbook, *The Principles of Economics*. "Trade always makes all participants better off," he says. I glance at a friend across the room. We both know something is not right about this.

After class I talk with my friend about the economic evangelism we just experienced, the self-righteous dogma of the richest country in the world. Is this why we're rich? Is the key to prosperity really as simple as "higher productivity"? Why haven't the words "colonization" or "sweatshop" been brought up?

The next day I ask my teacher, "Don't we have to take natural resources into account? Isn't that the key to why some countries are richer than others – because they control the resources of other countries? And why does Mankiw's book assume these resources continue indefinitely?"

My teacher mumbles in circles, avoiding any answers – the lecture notes forget to justify the unequal allocation of resources. He returns to the book's PowerPoint presentation, insisting the root cause of prosperity is productivity. After all, there is a chart that confirms this: Look, the US has the highest productivity. Poor Africa, it's so unproductive.

There is a certain seductive simplicity to Mankiw's economic fantasies. Perhaps this is why his textbook is used all over the world. Still, my classmates and I prefer the truth. A few of us talk together after class. We can't understand why our teacher clings so desperately to Mankiw's doctrine, which says there's a clear trade-off between equity and efficiency. Insist on equity, he wants us to believe, and nothing will work. Is this a study of how markets work, or just Bible study for capitalism?

I decide that if our teacher will not point out and discuss Mankiw's shortcomings, I will have to take things into my own hands. I grab an article from *Adbusters* magazine called "Neocon Indoctrination the Mankiw Way" and try to look as inconspicuous as possible while churning out 15 copies of the essay on

the school's copy machine. Outside of class, I hand them out to my classmates. Later a friend and I cut out alphabet letters from magazines and paste them onto a copy of the article, spelling out, stalker-style: "Dear Mr. Totten, please enjoy this shocking document." We place it in his box at school.

The article fails to get the response we hoped. "I just skimmed it," our teacher tells us. "I don't read meaningless stuff." Try again.

Perhaps he'll respond better to an indirect attack on his gospel of economics. I photocopy an article from *Harper's* that calls for a new economic worldview – one that focuses on sustainability over growth. I distribute it to my classmates as well as my teacher, this time by hand. He eats it up. "This is exactly what I have been looking for," he says. "It addresses a lot of the issues I have been thinking about lately. Thank you." He even tells the rest of the class about it, recommending they read it. But when the lectures resume, nothing changes. He reverts to Mankiw's script.

Well, almost nothing changes. My teacher preaches the same old theories, but now he prefaces the most nonsensical points with the claim that we must simply accept them in order to pass the college placement test. What can we do?

Meanwhile there's a letter from Harvard University: I have been accepted. I ask my teacher if there's anything he'd like me to pass on to Mankiw if I bump into him in the halls of Harvard. "Thank him for me, for making a textbook that explains everything so clearly," he says.

But if I run into Mankiw next fall, I have a few questions I'd like to ask him first: Why does his textbook refuse to admit that it has a point of view? What social purpose does he think is served by the stock market?

If he fails to respond adequately to my questions or the ones *Adbusters* has posed to him in previous issues, he'll hear some tough words from me about how the *truth*, and not *trade*, always makes participants better off.

PRESIDENT OF THE LIVING DEAD



BOGUS
AND NO HIPPIES

WE WANT MORE GROWTH!
MORE CREDIT!
MORE LIQUIDITY!
AND MORE CONSUMPTION!



Chop me out!
Put me up!



Time it takes to grow one inch of soil: 1,000 years





hey!

What's your ecological footprint?

Could you go without:

cigarettes, coffee, beer, air

conditioning, your car, in order

to make it sustainable?



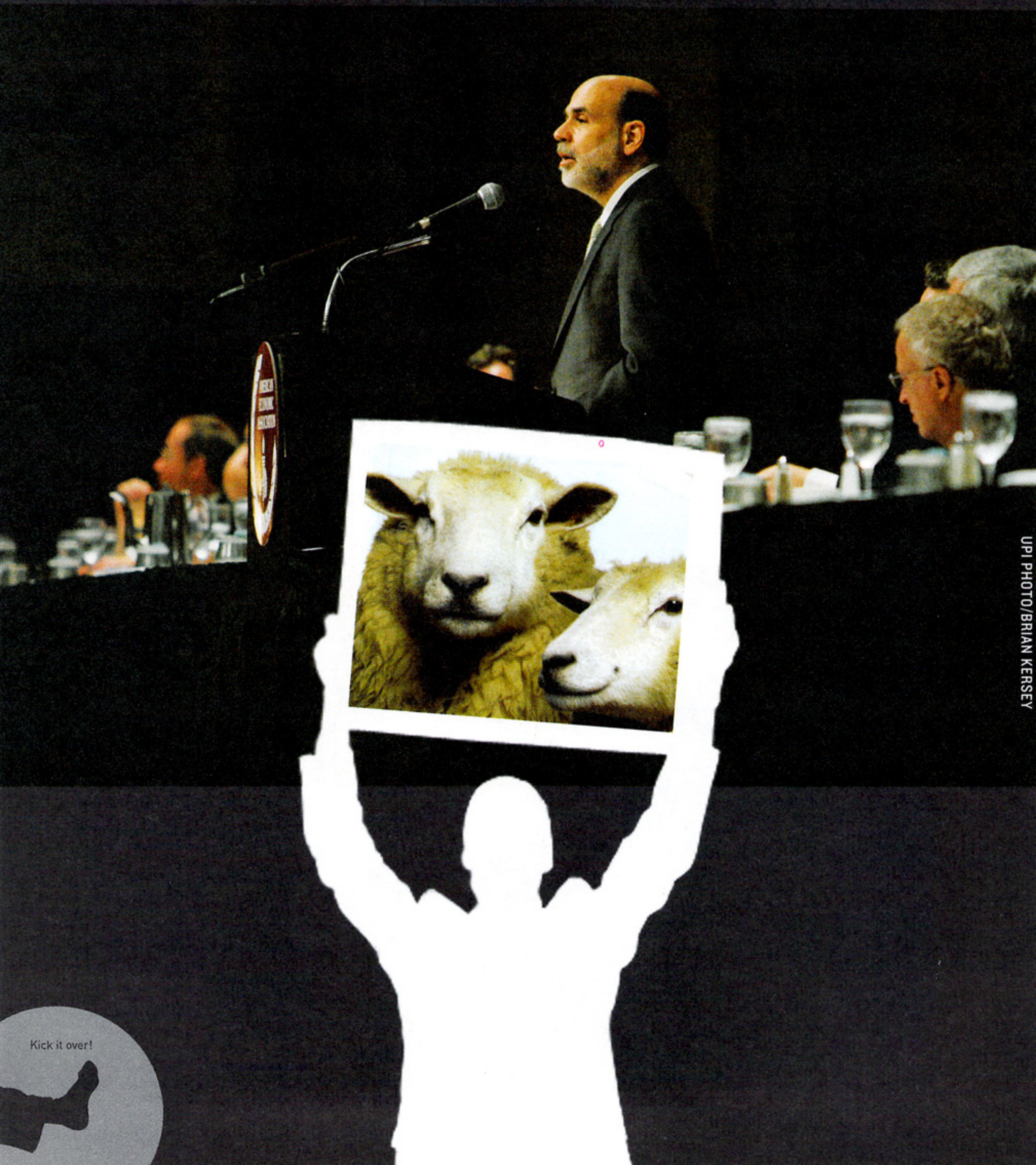
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Cut the fat!



AMERICAN ECONOMIC ASSOCIATION
ANNUAL MEETING
JANUARY 3-5, 2010, ATLANTA, GA



UPI PHOTO/BRIAN KERSEY

Kick it over!

AN OPEN LETTER TO THE ECOLOGICAL ECONOMICS MOVEMENT

Greetings fellow travelers,

Well, here we are living through a very scary historical moment ... nature is dying, ecosystems are crashing and our measures of progress have all gone haywire ... and to top it all off, we're in the middle of the deepest recession since the 1930s. So how come we are not up in arms against the neoclassicists who ignored our warnings and got us into this horrible mess? Why are we still puttering around, posting articles on obscure websites and giving speeches at far-flung conferences? Have we gone hoarse preaching to the proverbial choir? Shouldn't we be seizing this dark moment – when billions of people are actually paying rapt attention – to capture the imagination of the world with our vision of the future?

Much of the theoretical groundwork of our movement is already in place. We stand on the shoulders of pioneers like Kenneth Boulding, Fritz Schumacher, Howard Odum, Herman Daly and a host of brilliant young economists featured in these pages. Isn't it time now to ram our agenda home?

The annual meeting of the American Economic Association is a good place to begin. Just about everyone attending this year's meeting was caught flat-footed by the meltdown. Not one of them saw it coming, and yet there they were, convening, chatting, calmly sipping lattes ... a newly chaste herd of converted Keynesians. Let's crash their January 3, 2010 meeting in Atlanta ... let's march in en masse waving placards that read "YOUR ECONOMIC SYSTEM IS A DOOMSDAY MACHINE" and then proceed to engage them in a spontaneous debate for the soul of our profession.

Meanwhile let's muscle our way onto the national stage ... let's take Summers, Geithner, Krugman and company to task for their knuckle-headed stimulus packages and bailouts and for their loony notion that the way out of this crisis is MORE growth, MORE credit, MORE consumption, MORE of that five-planet opulence that got us into this mess in the first place.

Our fight with the neoclassicists is much, much more than a theoretical squabble over paradigms. This is high noon ... and humanity's only got one bullet left in the chamber – one last chance to shift our global system onto a sustainable path. Ultimately, this battle is about who – they or us – will manage the planetary household over the next critical 20 to 30 years ... and about whether we have any future at all.

In his classic 1962 book, *The Structure of Scientific Revolutions*, Thomas Kuhn shows us how scientific revolutions are always nasty, messy, dirty affairs, very much like political revolutions. They don't unfold quickly or easily or without the painful overthrow of the people in power. Kuhn's most profound insight is that, contrary to the way scientific progress is supposed to happen, an old paradigm cannot be replaced by evidence, facts or "the truth" ... it will not be thrown out because its forecasts are wrong and its policies no longer work. An old paradigm will only be replaced by a new one when a group of maverick scientists orchestrate a coup and throw the old-school practitioners out of power.

So let's take that lesson to heart, step outside our comfort zones and have some fun! Our coup is long, long overdue ...

in solidarity, Kalle Lasn

CHINA MERICA



ONE SIDE PRODUCES; THE OTHER CONSUMES.
ONE SAVES AND LENDS; THE OTHER SPENDS AND
BORROWS. OUR GLOBAL SYSTEM IS DOMINATED
BY THIS ONE MONSTER NATION, RULED BY A
CLERGY OF DESPOTIC CORPORATIONS.
...HOW LONG BEFORE IT ALL IMPLODES?



FAST MONEY



Some of the best and brightest minds on the planet are working overtime to figure a way out of the economic crisis. They're talking liquidity, interest rate cuts, fiscal stimuli and all manner of micro and macro maneuvering. Yet one of the simplest and most elegant solutions seems to be eluding them. In order to find our way out of the present disaster, it may be time to revisit an old stroke of brilliance from an economic virtuoso.

In 1971 the late Nobel laureate James Tobin proposed enacting an infinitesimal tax on all cross-border currency trades. Though it could be as small as one-tenth of one percent, the tax would generate enormous sums of money due to the sheer volume of trades. A modern variant on the Tobin tax would levy an equally small tax on all market transactions. For the ordinary purchase of stocks and bonds, the cost would

be trivial – with no perceptible effect on buyers or sellers. But for the more complex, highly-leveraged derivative transactions – the very ones that sunk our economy – the cost of the tax would add up quickly, helping to dampen speculative excess and temper the market by slowing down fast money. It would break the cannibalistic cycle of derivatives feeding off derivatives and money feeding off money. And before long – trade by trade, dollar by dollar – the tax would steer our global system back on course ... hard work and entrepreneurial zeal would become valuable commodities again.

So take advantage of a president who's said he's willing to listen. Send an email to Barak and tell him: "Enough stimulus, enough bailouts, enough kissing Wall Street's bloated ass ... Let's slow down fast money with the Tobin tax."

BEYOND THE GROWTH PARADIGM



On the outskirts of Barcelona, a member of a tiny squat community called Can Masdeu uses a bicycle-powered washing machine. With low-impact appliances, sprawling community gardens, compost toilets, eight types of recycling and showers heated by solar collectors, the 25 permanent residents of Can Masdeu are on the leading edge of sustainable cooperative living. These shifts in lifestyle and technology are merely the beginnings of a global degrowth movement aimed at slowing consumption.

A mature economic system – just like a mature ecosystem – would be characterized by maintenance and renewal instead of rapid growth. Humans living within this system would be educated to repair rather than replace, and would continue to learn throughout their lives: schools, colleges and universities would be springboards for well-rounded lives rather than just for employment.

There is a misconception that growth creates choice. But as economist E.J. Mishan argued over 40 years ago, growth also curtails choice by increased crowding and congestion and despoiling nature. In a low-growth framework, our choices would be different and it would be up to all of us to rethink how we live.

The point of all this is not to replace the pursuit of economic growth with a target of zero growth. Rather it is to deflect concern away

from the growth rate so we can concentrate our attention, our actions and those of business and government on things which matter more directly (full employment, the end of poverty, protection of the environment), and which do not depend on growth. Good ideas will no longer be trumped by someone saying, “yes, but that will harm competitiveness, reduce trade, undermine globalization ... slow growth.” Economic growth as we know it, with its ever increasing demands on nature, is not an option. Many of the changes we need to make – getting off fossil fuels for a start – should not be impeded by a concern with that they will do to the growth rate. We can either think, discuss and plan our way to a time when growth no longer concerns us, or face the consequences.

—Peter Victor

DEGROWTH

A new intellectual renaissance has begun, and it promises to do for the 21st century what the first one did for the 14th: reassert reason over dogma to redefine our collective frame of reference. The difference this time is that the dogma is economic not ecclesiastic, and the stakes for the planet are immeasurably higher.

Degrowth, *décroissance* in French, traces its intellectual origins to Romanian economist Nicholas Georgescu-Roegen who showed that the very act of exploiting the Earth's finite resources degrades the total store of energy available. In his seminal 1971 book *The Entropy Law*, he wrote that once a product is made, the energy that went into it becomes transformed and can never be returned to its original state. Even recycled goods show some degree of energy degradation. As more natural energy is transformed by human industry, less "usable" energy is left for future generations. As energy falls, entropy rises, and entropy in this case consists of random, useless energy: waste.

Arresting endless growth does not mean going backward. "A degrowth society project is radically different from negative growth," writes Serge Latouche, emeritus professor of economy at the University of Paris and one of the lead voices of the *décroissance* movement. "The first can be compared to an austere therapy that is voluntarily undertaken to improve one's well-being when we are under the threat of obesity through overconsumption. The second is the forced diet, which can lead to death through famine. It has been said time and time again. There is nothing worse than a growth society without growth."

The key to achieving this rationalism lies in politicizing our culture to revive the idea of citizenship ... ecological citizenship. We currently have corporate determinism, not political leadership and a society of consumers, not of citizens. People are little more than factors of production in a sort of corporatist/Marxist economic dystopia.

By recognizing that unchecked economic growth itself is the problem, degrowth is more

mature and rational than the more familiar environmental or enviro-political movements. As Professor Valérie Fournier at the University of Leicester School of Management wrote in the *International Journal of Sociology*:

"In becoming mainstream, sustainability has been washed out of its more radical questioning of economic models, and especially economic growth ... If there is to be any hope of a sustainable future, it is precisely economic growth that needs to be called into question. Sustainable development and ecological modernization only serve to 'sustain the unsustainable'; they not only absolve major corporations and a capitalist economy of endless growth of environmental responsibilities, but also cast them as the new heroes of sustainability."

Another improvement over mainstream environmentalism is degrowth's rejection of populism. In order that it become a mass movement with mechanisms that can link local communities into a broad political movement, degrowth cannot be managed at the local or direct level: "It is for this reason that the *Parti pour la Décroissance* was created, and that proponents of degrowth support representative democracy. They argue that while direct democracy is appropriate at small local level, it cannot be organized beyond small groups of 50 people, thus excluding the majority of citizens." The movement took a major step forward in April 2008 when more than 140 international researchers in economics and the natural and social sciences met in Paris for the inaugural conference on Economic Degrowth for Ecological Sustainability and Social Equity.

The logic of degrowth is impeccable, and we deny it at our peril. Latouche put our choice best in the title of one of his essays: "Degrowth, whether you like it or not."

Greg Felton is a political columnist and the author of *The Host and the Parasite: How Israel's Fifth Column Consumed America*. He is an urban gardener in his spare time.

"If Nascar can do it why couldn't we make money on money? Globalization, mass media and consumerism, they're king. So let's brand everything – if Manchester United can do it, why not the Fed? I'm lovin' it!"
—Derek O'Connor, www.dollarredesign.com.



ASK YOUR PROF

How big can the economy be professor? How big should it be? Have you ever considered these questions? What makes you think that growth is not already increasing environmental and social costs faster than production benefits, making us poorer, not richer? After all, real GDP, the so-called measure of "economic" growth, does not separate costs from benefits. How would we know when growth became uneconomic? The defensive expenditures induced by negatives – such as congestion, interference, displacement, depletion and pollution – are all added to GDP, not subtracted.

Be prepared, students, for some hand waving, throat clearing and subject changing. But don't be bluffed.

Herman Daly, "From a Failed Growth Economy to a Steady-State Economy," www.theoildrum.com.



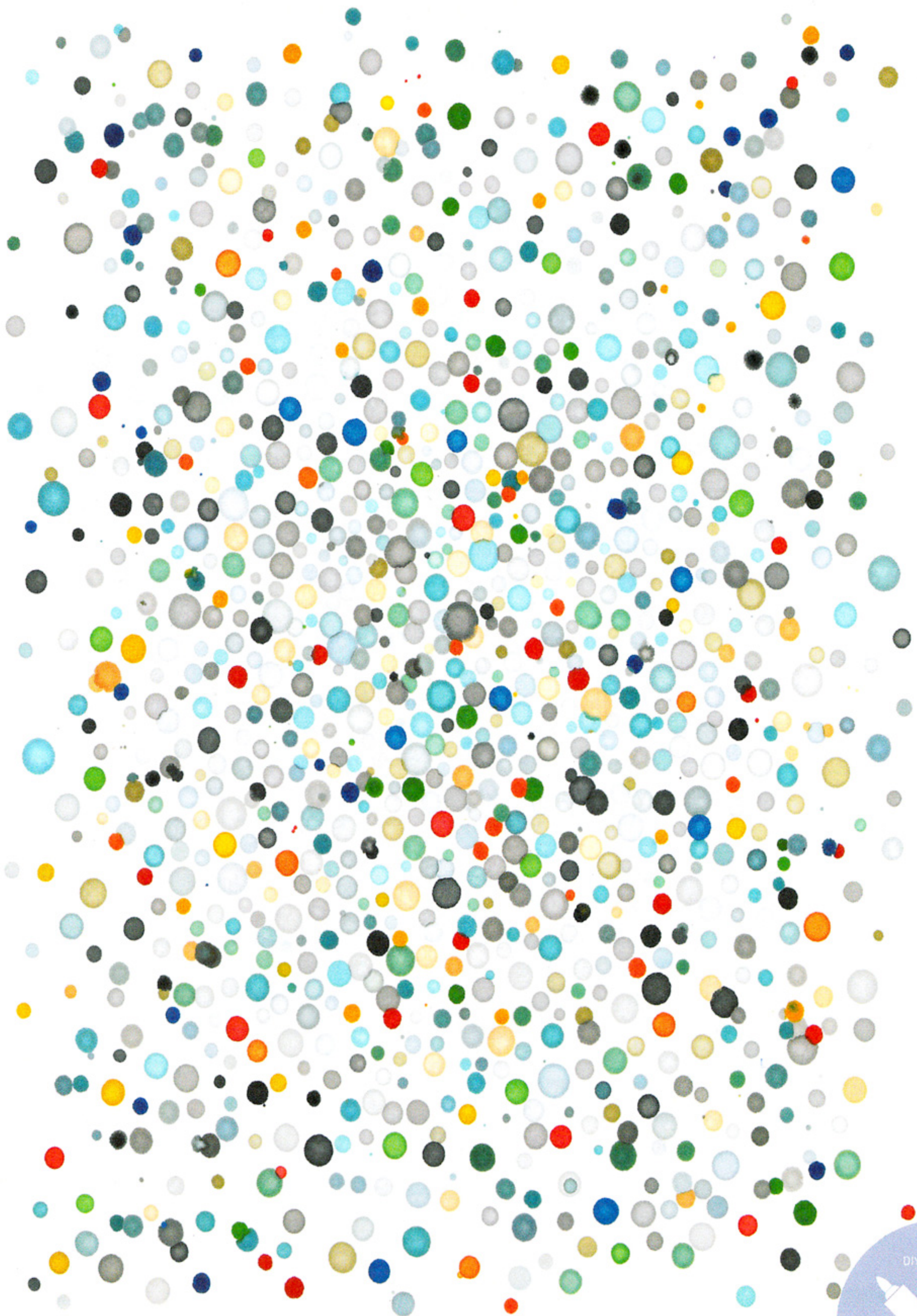
How come President Obama doesn't get that the conventional process of economic growth – based, as it was, on industrial expansion via revolving credit in a cheap-energy-resource era – is over, and why does he keep invoking it at the podium? Dear Mr. President, you are presiding over

an epochal contraction, not a pause in the growth epic. Your assignment is to manage that contraction in a way that does not lead to world war, civil disorder or both. Among other things, contraction means that all the activities of everyday life need to be downscaled, including standards of living, ranges of commerce and levels of governance. “Consumerism” is dead. Revolving credit is dead – at least at the scale that became normal the last 30 years. The wealth of several future generations has already been spent, and there is no equity left there to refinance.

If contraction and downscaling are indeed the case, then the better question is: Why don't we get started on it right away instead of flogging rescue plans to restart something that is DOA? Downscaling the price of overpriced houses would be a good place to start. Let the chumps and weasels who over-reached take their lumps and move into rentals. Let the bankers who parlayed these fraudulent mortgages into investment swindles lose their jobs, surrender their perks and maybe even go to jail. No good will come of propping up the false values of mispriced things.

No good, in fact, will come of a campaign to sustain the unsustainable, which is exactly what the Obama program is starting to look like. In the folder marked “unsustainable” you can file most of the artifacts, usufructs, habits and expectations of recent American life: suburban living, credit-card spending, Happy Motoring, vacations in Las Vegas, college education for the masses and cheap food among them. All these things are over. The public may suspect as much, but they can't admit it to themselves, and political leadership has so far declined to speak the truth about it for them – in short, to form a useful consensus that will allow us to move forward effectively. One of the sad paradoxes of politics is that democracies do not seem very good at disciplining their citizens' behavior.

James Howard Kunstler is the author of *The Long Emergency* and *The Geography of Nowhere*. From *New Perspectives Quarterly*, Spring 2009.



THE NEW SPIRIT OF ECONOMICS

For Hayek, a market was a personal voyage of discovery. Malthus once told Ricardo to be wary of becoming too attached to abstract ways of thinking. Keynes believed in “animal spirits.” Schumpeter sensed a brutal dynamic of “creative destruction” at the heart of capitalism. Heilbroner sternly warned economists to abandon their “suicidal formalism” if they wanted to progress ... but such crunchy, philosophical insights into the soul of economics have largely been lost on the last few generations of its practitioners. For 50 years they’ve been rationalizing human behavior, sanitizing their models and trying their best to turn economics into a mathematically driven exact science like physics.

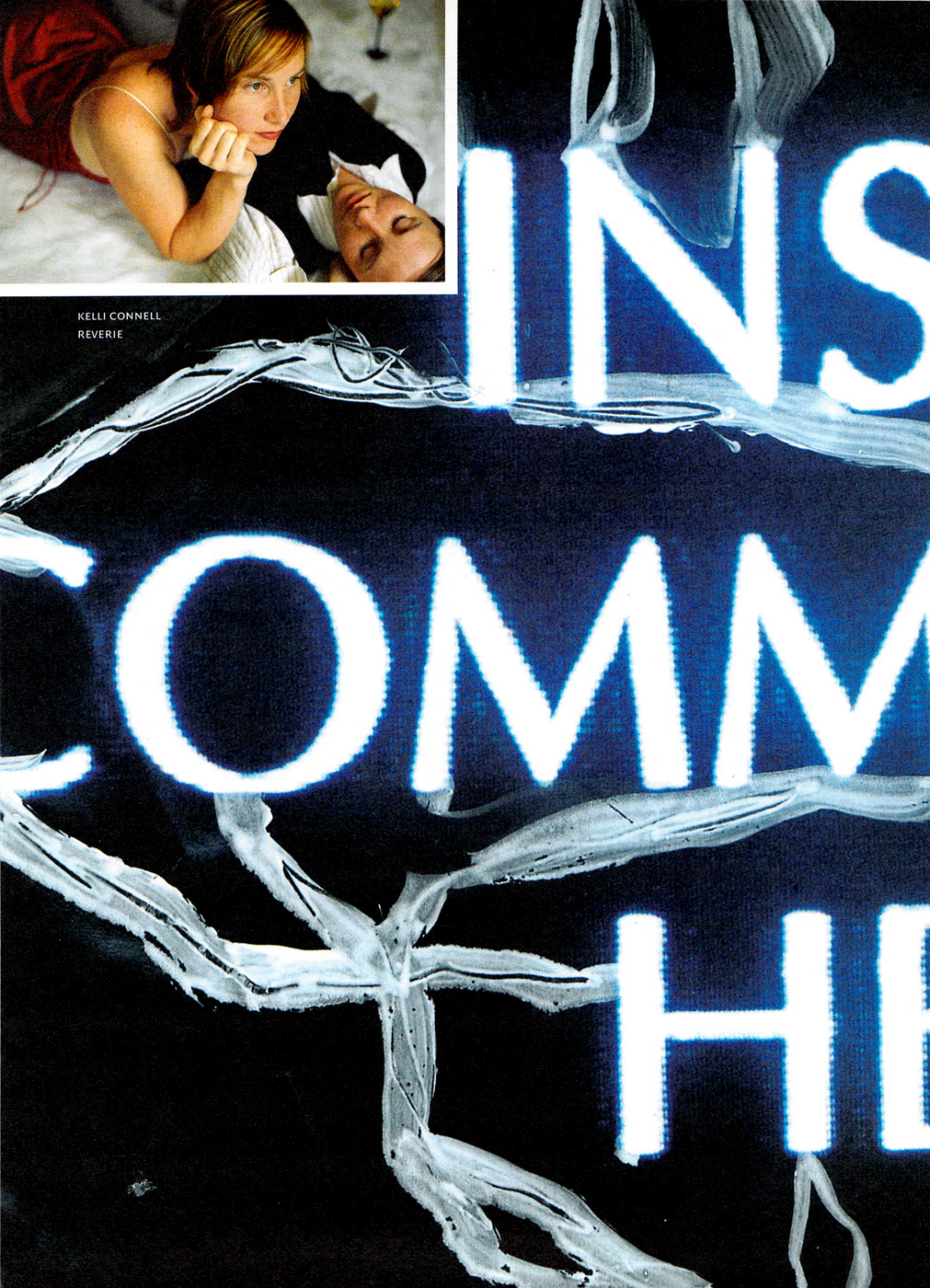
Now the old guard is under attack by students and scientists from other disciplines for its profound disconnect from reality. The logic freaks of neoclassical economics are in retreat ... the old certitudes are crumbling. Economists are being forced to admit that their understanding of nonlinear, real-world systems is frail at best and that their abstract models have limited value. Everything, from banking, financial regulation and credit, right down to the bedrock fundamentals – growth, freedom, happiness, progress – are now being rethought. The profession is entering an almost Nietzschean period of creative destruction. Here are some of the tectonic mindshifts now underway:

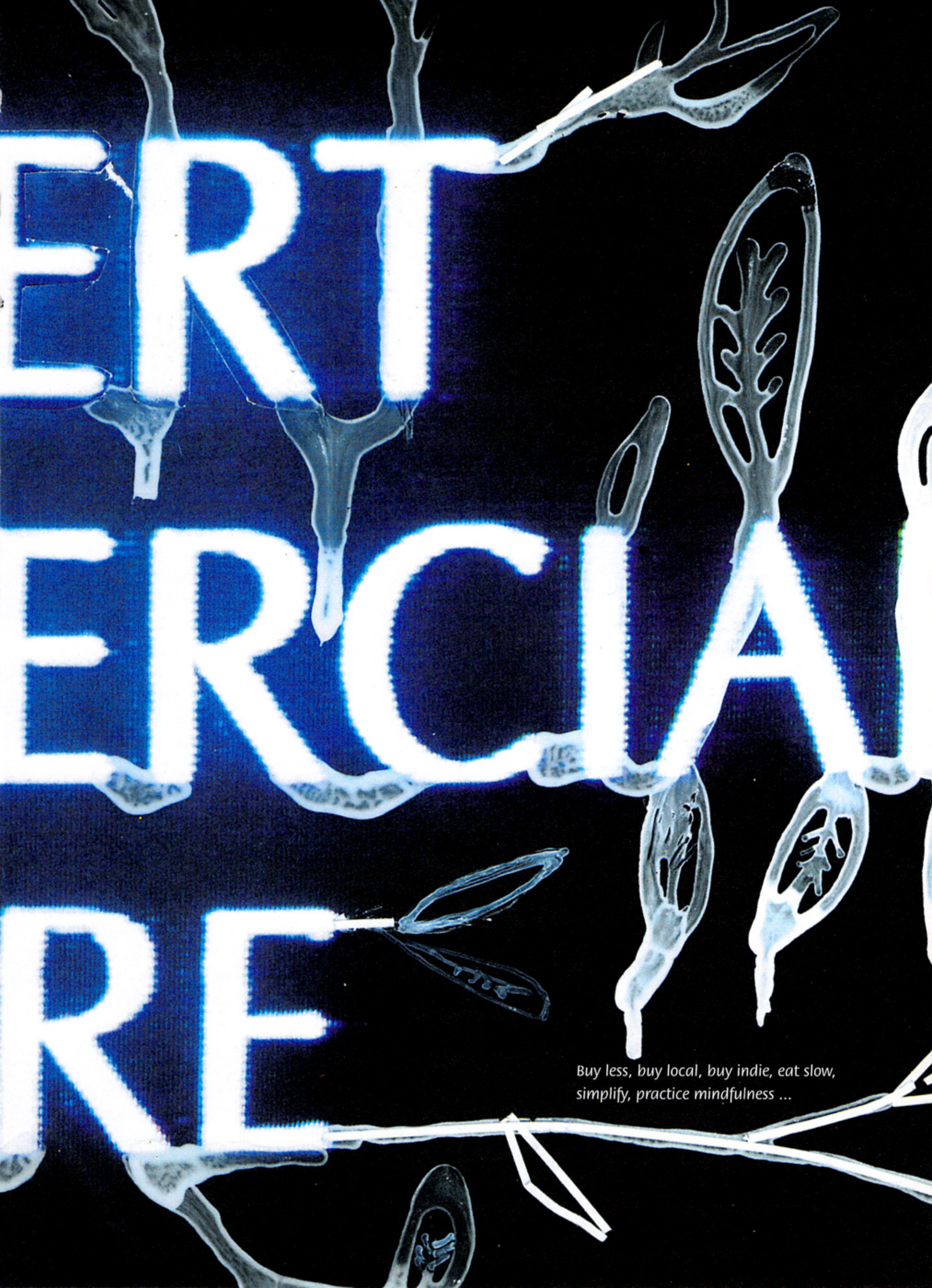
- **A theoretical shift** from free market back to Keynesian economics. The idea that governments should step aside and let markets regulate themselves has been publicly, viscerally discredited.
- **An aesthetic shift** in the tone, style and spirit of economics. The abstract number cruncher, alone in his tower, lost in the abstraction of models – that dusty Apollonian archetype – is dead.
- **An operational shift:** After years of self-imposed isolation, economists are finding inspiration in psychology, environmental science, design, philosophy and art.
- **An existential shift:** Before last year’s meltdown it was considered heresy to question the wisdom of growth. Now economists are coming out of the closet and doing exactly that: openly proclaiming infinite growth cannot be sustained on a finite planet. This is the most far-reaching, penetrating paradigm shift imaginable – a monumental mindshift on par with what Einstein’s relativity did to physics. It points to what is perhaps the most exciting and intractable problem of our time: how to create a sustainable economy that does not feed off nature. It heralds the beginning of a debate that will occupy the best minds on the planet for centuries to come: How to manage our planetary household – how to live and be happy – without crashing Gaia?

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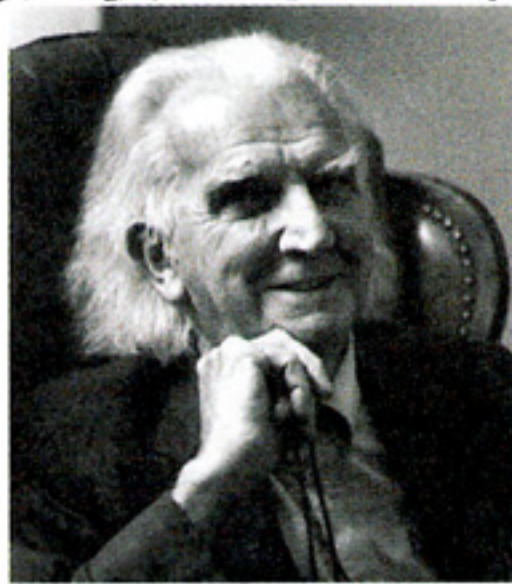
EARLY PIONEERS

WE STAND ON THEIR SHOULDERS

Kenneth Boulding was an economist known for having a way with words and refusing to mince them. His most biting criticisms were reserved for the myopia of his own discipline: "Anyone who believes exponential growth can go on forever in a finite world is either a madman or an economist" and "Mathematics brought rigor to economics. Unfortunately it also brought mortis."

Boulding earned the right to speak his mind by serving as president of the American Economic Association and authoring *Economic Analysis*, the authoritative textbook of neoclassical-Keynesian economic synthesis. Viewing his credentials as license to dissent, Boulding said, "*Economic Analysis* established my respectability so I have been able to be disreputable ever since." He was a poet, philosopher and peace activist who argued that desirable economic outcomes should be determined with ethical, religious and ecological concerns in mind. For a time he was a card-carrying Republican, but was driven away from the party by Reagan's radicalism. He was put off by the president's supply-side economics and unbridled military spending. Boulding advocated a less hawkish stance toward the Soviet Union and mocked Reagan's communist paranoia.

KENNETH BOULDING



Beyond his work for peace, Boulding was an environmentalist who argued that economics needed to show a greater reverence for nature.

In 1958 he asked, "Are we to regard the world of nature simply as a storehouse to be robbed for the immediate benefit of man? ... Does man have any responsibility for the preservation of a decent balance in nature, for the preservation of rare species, or even for the indefinite continuance of his race?" He dubbed the growth model a "cowboy economy," which treats nature as inexhaustible and rewards "reckless exploitative, romantic and violent behavior." Boulding proposed an alternative paradigm: a "spaceman economy" that likened the Earth to a self-contained spaceship. With limited resources, members of a spaceman economy have a decided incentive to save rather than consume. Above all, Boulding sought truth in economics. He wanted to construct just, sustainable models that reflected the complex interconnectedness of the world. The conclusion of his poem *A Ballad of Ecological Awareness*, puts it this way: So cost-benefit analysis is nearly always sure, / To justify the building of a solid concrete fact, / While the Ecologic Truth is left behind in the Abstract.

E.F. Schumacher didn't mind when fellow economists dismissed his unorthodox ideas and called him a crank. He chose to take it as a compliment, reasoning that "the crank is the part of the machine which creates revolution and it is very small. I am a small revolutionary!" Schumacher would in fact build his legacy around the idea of small, which in the world of economics is a revolutionary feat indeed.

Born in Germany in 1911, Schumacher studied in England as a Rhodes scholar and later taught economics at Columbia University and Oxford. A protégé of John Maynard Keynes, Schumacher influenced his eminent mentor's proposal for the postwar currency system that would become the International Monetary Fund. After World War II he aided the British government in the effort to reconstruct the collapsed German nation. From there he moved to the *Times* newspaper – the heart of the British establishment – where he penned editorials criticizing the Labour government's ambitious nationalization plans. In addition to all his endeavors in the private sector, Schumacher served as chief economist for the National Coal Board for 20 years.

Early in his tenure at the Coal Board, Schumacher was sent on a mission to Burma to teach its citizens how to achieve progress by following the Western model of economic growth. Once there, he quickly surmised that the Burmese were better served drawing from their own traditions rather than from Western ones. He coined the term "Buddhist economics" to describe a model that, in complete opposition to its Western counterpart, didn't allow for unlimited growth and consumption but emphasized the use of renewable resources.

To those who questioned the relevance of Eastern philosophy to economics, Schumacher replied: "Economics without Buddhism, i.e., without spiritual, human and ecological values, is like sex without love."

He later returned to the Coal Board, but working at one of the largest commercial organizations of the day contributed to Schumacher's deep-seated conviction that large-scale technologies were dehumanizing. His experiences had led him to conclude that "man is small and, therefore, small is beautiful." It was

this syllogism that inspired the title of his 1973 treatise *Small Is Beautiful*, a sweeping indictment of the neoclassical model. The work introduced Schumacher's concept of "natural capital" and outlined an alternative economy based on human-scale, decentralized and appropriate technologies that has inspired generations of environmentalists. To the very end of his life,

Schumacher lived by his own prescriptions. He baked his family's weekly bread supply with locally procured organic wheat that he ground himself in a hand-operated flour mill.

Schumacher died in 1977 but his followers still advance his prescient economic vision through societies founded in his honor. The Intermediate Technology Development Group (ITDG), founded by Schumacher, continues his work by promoting poverty reduction in the developing world through sustainable technology. Today ITDG continues to demonstrate the wisdom of Schumacher's words, proving that small is not only beautiful ... it has the potential to be prosperous.

E.F. Schumacher



Howard Odum

Few economists – love for scientific rigor notwithstanding – understand how concepts like chaos theory and the laws of thermodynamics could possibly impact their work. For Howard Odum, however, scientific principles were central to both the study of economics and life in general. As he saw it, “The struggle between order and disorder, between the angels and devils, is still with us.”

Odum was a prominent figure in the vanguard of the ecological economics revolution. Throughout his long career, Odum wrote extensively about the biological limits to economic activity, the role fossil fuels play in international relations, and net energy analysis. He applied the laws of thermodynamics to demonstrate that energy use has to be measured not only in terms of usage but also of waste. Generating nuclear power, for example, requires a massive amount of energy. By Odum’s measures, more energy is consumed in its creation than produced. So why, he asked, would we do it? Odum was among the first to conceptualize energy as currency, demonstrating the differences between the ecological impact of natural versus manufactured processes. He also pioneered the



field of “ecological engineering,” the management and restoration of ecosystems to account for the demands of both human activity and the natural environment.

Late in life, Odum and his wife Elizabeth devoted their time to warning of an imminent ecological collapse if our patterns of consumption remained unchanged. In their 2001 book, *A Prosperous Way Down*, they argued that humans must wean themselves off fossil fuels in light of rapidly shrinking reserves. Among other things, the pair suggested redistributing the world’s wealth more equitably, curbing population growth, streamlining energy use, promoting lower intensity agriculture and modifying capitalism to make it less focused on growth. Doing so gradually, they claimed, would allow a “soft path down” that would make the world more prosperous after a global economic descent.

When he died in 2002, Odum ended his career as he began it – as a sentinel at the very forefront of revolutionary economic thought.

Herman Daly has been cast from the graces of neoclassical economics for refusing to kneel at the altar of infinite growth. He believes that the flaw plaguing his devout colleagues is that they think that "the only way to solve environmental problems is to get richer and they don't consider for a minute that growth may cost more than it's worth." Daly began to question neoclassical orthodoxy while studying under Nicholas Georgescu-Roegen (an economist famous for asserting that growth is limited by the economy's biological foundations). Daly's conversion was complete after he read the works of environmentalist Rachel Carson and spent time teaching economics in northeastern Brazil, where he observed the extent to which runaway population growth swallows up natural resources and realized that economic growth – like population growth – comes at the expense of the environment.

He returned to the us and turned to the ideas of John Stuart Mill to develop the concept of a steady-state economy, one in which human population and consumption are tied directly to the ecosystem's capacity to support inhabitants without detrimental effects.

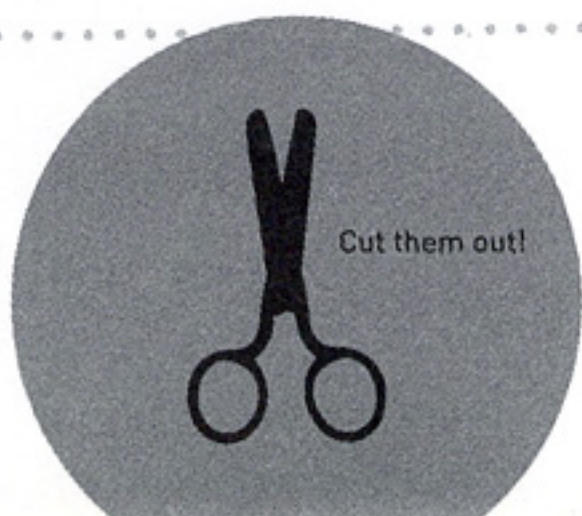
Steady-State Economics became one of the most influential environmental books of the 20th century, but Daly's arguments were too revolutionary to find a foothold in mainstream economics. So in 1988 he cofounded the International Society for Ecological Economics to provide a forum for other radical thinkers who sought to blend the studies of economics and ecology. That same year the World Bank hired Daly as part of an effort to green its image. While working to eliminate poverty in the

South, Daly wondered why the Bank professed to favor sustainable development models for Third World countries but not for the First World. After six years as a member of the Bank's "loyal opposition of environmentalists," he left his post in frustration and returned to academia. In his parting address Daly left his colleagues with a formula for sustainability: stop counting the consumption of natural capital as income; tax labor and income less and resource extraction more; maximize the productivity of natural capital in the short term, and invest in increasing its supply in the long term; and most contentiously, abandon the ideology of global economic integration through free trade, free capital mobility and export-led growth. He also prescribed "new eyeglasses and a hearing aid" to make the Bank more responsive to outside input. Still, Daly is quick to qualify his critique of his former employer. He maintains that the Bank is staffed with good people who are merely abiding by the narrow economic "theology" forced on them in university.

According to Daly, part of this theology includes a devotion to scientific materialism that helps explain economists' disregard for the environment. If, after all, the Earth was formed by accident, then "the natural world is just a pile of instrumental accidental stuff to be used up in the arbitrary projects of one purposeless species."



Herman Daly



Adbusters #85

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Adbusters



Pop Nihilism
Advertising Eats Itself!

NIHILISM

Hi,
I was quite taken aback by the piece comparing "nihilism" and "optimism" in the Pop Nihilism issue [Adbusters, #84]. There was a certain vicious redundancy: the optimist and the nihilist seemed to be one and the same. It gave me no clear indication of who I, the revolutionary, should be.

Is the revolutionary not an optimist? Does a revolution not optimize the nihilist condition? What does this piece do other than bask in decadence and reaffirm reality like a bitter, old armchair liberal? Is nihilism the ultimate critique? Do its adherents act only as passive observers of the destruction of their organic surroundings and the culture that Adbusters claims to represent? Is Adbusters really

revolutionary or is it just a security mechanism of the consumerist system? In this piece, Adbusters sounds like one of the last men of Masada shouting "We're gonna die! We're all gonna die!" rather than the bearded radical it professes to be.

JOSEF
VIA EMAIL

Dear Adbusters,
Thank you for realizing that the breakdown in the structure and order of meaning is an opportunity to create new meanings, outside of traditional structures of domination. This opportunity is the perversely hopeful core of the nihilistic moment in Western culture, a core that postmodern revolutionaries must learn to grasp.

The rejection of all

Dear Adbusters,
I was reading the *New York Times* and I found this picture of a kid (maybe 10 years old) on the skate, well dressed, looking annoyed at the world. It looks like a classic Dolce & Gabbana image, but he is just a kid. I am scared!
Cheers,

Marco Agostoni
via email

most African-Americans.
The court is a living monument to America's long history of exclusion based on race, ethnic background and gender. Where is the right-wing protest against that?

was almost completely ignored as he played for free.
Joni Mitchell's classic song "For Free" told of a street clarinetist: "Nobody stopped to hear him / Though he played so sweet and high / They knew he had



legitimizing theologies – Catholicism, Leninism, Western liberalism and so on – may be the foundation of a truly emancipatory politics. A politics of nihilism which seeks to realize the potential for human freedom in the here and now rather than rely on a Utopian vision of the future. As E.M. Cioran writes: "The certitude that there is no salvation is a form of salvation, in fact it is salvation." When we reject the salvation promised by any and all legitimating theologies, we finally take responsibility for the present and can transform it instead of attempting to transcend it.

This politics of nihilism is co-extensive with a new conception of revolution. The conception of revolution as an overthrow of traditional structures of domination followed by the creation of newer "better" structures, has become outmoded. The nihilistic revolutionary seeks not to overthrow structures of domination, but rather to create meaningful social spaces outside of them. This creative activity may meet with

unremitting failure, but the nihilistic revolutionary knows that. As Simone de Beauvoir writes in *Ethics of Ambiguity*: "Attempts which are aware that one by one they are doomed to failure can be legitimized by the whole of the situation which they create." In the words of Samuel Beckett, we must learn to "fail better."

The nihilistic moment is also a revolutionary moment. Seize it.

SAMUEL BROWN
WEST LAFAYETTE, IN

The doomsayers reckon we humans have run our race. We deserve it, they say, messing with all those hormones and entrails and chemical cough syrups. The soil is sick with our symptoms. Swine Flu, ha! One sniffle in the synapse of the hypoallergenic "developed world," and the pig shit hits the fan. National emergencies, quarantined kids, blanket statements by frantic mothers in designer post-SARS masks. Australia protects its own borders like some six-year-old kid protects his

sandcastle. But the trickle of illegal refugee boats (a literal drop in the ocean compared with what the rest of the world accommodates) is no match, it seems, for an invisible bug in a suitcase. We're at the mercy of our own biology. Alert! Alert! The enemy is within!

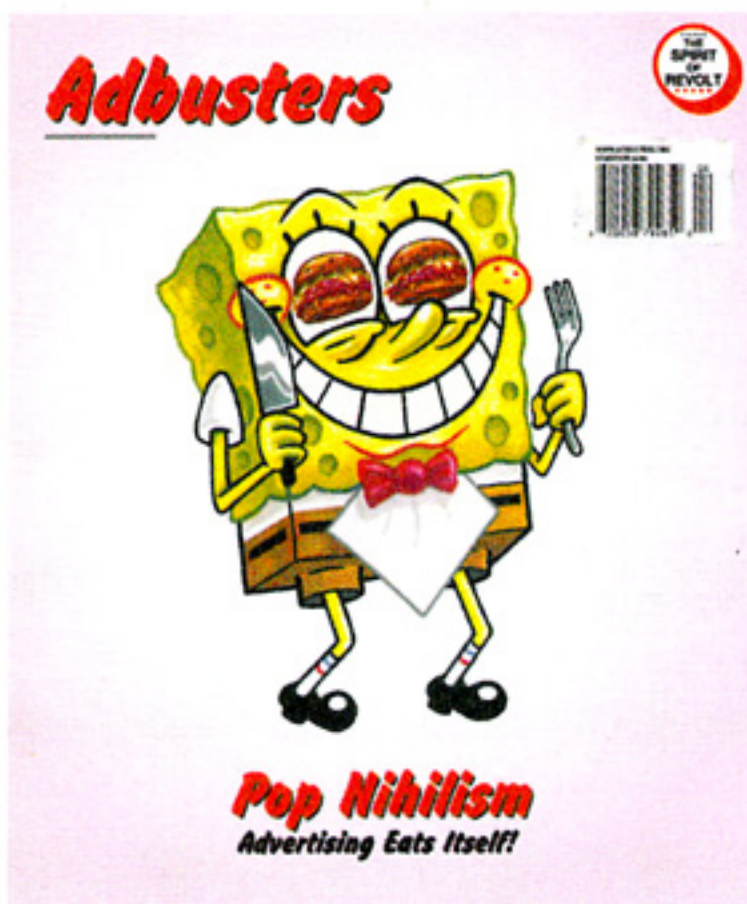
Four days in bed and I've risen from my own blanket grave. The dregs of pseudo-ephedrine tickle my throat and linger in my loins, leaving me *Half-Life 2* on a damp mattress, victim to an outbreak of *Future Shock*. The test results come back tomorrow, and I'm not sweating like I once was. If you catch the midnight news this week, look out for the smiling swine.

ANONYMOUS
VIA EMAIL

I was at the Laundromat today. Normally I don't go there without my iPod so I can turn off the world and enjoy a cocoon of music, but I had some schoolwork to do. As I sat in the corner working,

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I couldn't help but hear people discussing a news report about Bernie Madoff. "Fucking scumbag," one man said to the other. "I hope he rots in jail for the rest of his life." The other man shook his head in agreement, "How dare he do this to those poor people?" Then the news shifted gears to a new government report about the global warming crisis and the fact that we may be in our worst years yet for heat, floods, hurricanes, tornadoes and drought. Not a word of outrage came from either man – they quickly began talking about baseball. Rome is burning and all we can do is put on our headphones and turn off the world.

CURTIS PEPPER
ST. LOUIS, MO

How do they dress us in an insane asylum? Either in pants that don't work well because they stay together with old Velcro, or in our own pants – which do not stay on well because we are not allowed to wear belts for obvious reasons.

Design pants that can be used in any place where there is a fear of belts: mental hospitals, prisons and slaughterhouses. This would mean we get respectable clothing, we never have to worry about getting pantsed and, most importantly, we are safer from ourselves and from our demons.

YOURS VICTORIAN,
JORDON ROY GOWANS
VIA EMAIL

GAZA/WARSAW

I am shocked and disappointed that your publication allowed an article comparing the military action in Gaza to the annihilation of Jews in the Warsaw Ghetto [Adbusters, #83]. The comparison is malicious, erroneous and clearly

anti-Semitic.

Israel is defending itself against Islamist extremists who have vowed to destroy Israel and who fire rockets into Israel with the intent to kill anyone they can. Hamas are murderous thugs.

The Nazis killed almost every Jew in the Warsaw Ghetto just because they were Jews. As a Jew who lost family to Nazis I am truly offended.

You should be ashamed of yourselves!

DAVID ROSENBLATT
TORONTO, ON

Dear Adbusters,

This is most shameful. You have exploited one of the most tragic events in human history for selfish propaganda. The Holocaust, and especially the Warsaw ghetto, evokes the most horrific memories imaginable to its victims. It was literally hell on earth. Human beings were confined in disease-infested ghettos and cattle cars for unlivable amounts of time. Mothers stood by helplessly as their small children were snatched away, shot, gassed and tossed into burning pits. Thousands upon thousands were simply shot in the head – point blank – their brain splatter a mere nuisance. There can be no bigger insult to Holocaust survivors – and no bigger favor to deniers who seek to warp reality – to even contemplate a comparison with a territory ruled by cruel fundamentalists who hate Jews more than they care for their impoverished hostages. It is total insanity.

I request a printed correction and apology immediately. One clearly outlining the differences between a situation where two-thirds of European Jewry were inhumanely decimated and a stubborn people more interested in the

destruction of the Jewish state than the creation of their own.

I am serious and will definitely take further action if need be.

SINCERELY,
LEON PICK
VIA EMAIL

While defending Israel's actions in Gaza as "restrained," several readers [*Adbusters*, #84] angrily fumed over a comparison between Gaza and the Warsaw ghetto uprising [*Adbusters*, #83], and hurled charges of "irresponsible journalism" and "hate literature" coupled with vows to cancel subscriptions.

Israel sealed the exits of one of the most densely populated areas on earth to prevent its population from fleeing, then began a devastating bombardment on a busy weekday at noon when streets were teeming with people – including thousands of school children. Within hours 225 lay dead and 700 wounded.

Justifying such atrocities is mind-boggling but regrettably typical of Israel-worshippers, who also routinely misinterpret Middle East realities. Palestinians want Israel's "destruction," while Israel destroys any prospect for a Palestinian state by expanding illegal settlements in the occupied territories. Palestinians must "recognize" Israel, while Israel refuses to recognize Palestine and systematically crushes its democratic institutions by jailing one-third of its elected parliamentarians. Palestinians must stop "incitement to hate," while Israeli soldiers proudly sported T-shirts depicting a pregnant Arab woman framed in crosshairs under the caption "1 shot – 2 kills." Palestinians must stop their

"rocket attacks," with no mention that Gaza houses many people who were expelled from the Arab village of Najd in 1948 – it was literally erased from the map by Israel only to reappear in 1951 as the Jewish town of Sderot.

Trying to understand how diaspora Jews can excuse Israeli brutalities they would never tolerate if committed by any other country, Jewish theologian Marc Ellis opined they are "torn between the remembrance of their suffering and the reality of an independent and powerful state that they do not control but must always legitimate – thus the strained arguments, the twisted logic, the shrill voices."

Less charitably, an Israeli professor expressed his contempt for those who support Israel's terror-provoking policies from the safety of North America with the wry question: "What is the worst thing that can happen to them, weep in front of a television set?"

PS – You will shortly receive my donation for a gift subscription of *Adbusters* to a New York public library, so Gil Ronin – who vowed not to renew his – can continue enjoying *Adbusters* guilt-free.

JOHN DIRLIK
POINTE CLAIRE, QC

I was initially going to write a separate response to each of the three letters printed in *Adbusters*, #84 that respond to the comparison between the Israeli and Nazi armies' suppression of the popular resistance to their respective occupations [*Adbusters*, #83]. Then I realized that all three letters have one thing in common: they deny Palestinians their humanity.

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RT @noyokono The more I read *Adbusters*, the more I want to become a rogue radical economist.

10:52 AM June 25th from web



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Gil Ronin talks about how "rather restrained" the Israeli army was in Gaza. As if using the world's fourth strongest military against the besieged indigenous Palestinian population is a positive thing. Murdering over 1,400 starving people (one-third of them children) and completely destroying the civilian infrastructure by attacking schools, hospitals, sewage plants and UN aid facilities is an honorable act? That's sick and barbaric.

The Palestinians are once again denied their humanity in the letters from David Blanton and Joel Silver. David Blanton's comment: "When Palestinian mothers love their sons more than they hate Jews" is very similar to comments made by White supremacists about Black mothers carelessly leaving their children in the streets to get shot by "innocent" cops. That's pretty twisted.

Both David Blanton and Joel Silver ignore the fact that Palestinians are not a homogeneous group, actually none of the "Arabs" are. Historically they have been religiously, culturally and ethnically diverse. Christian and Muslim Palestinians have lived side by side in relative peace with their Jewish Palestinian neighbors for centuries. A clear example of this religious coexistence is the Jewish Lebanese community that lives in peace, with no fear of attacks or retaliation from any of the other Lebanese faith

groups. This was even true during (and after) the 2006 Israeli invasion of Lebanon, which resulted in the murder of more than 1,100 civilians and the deployment of over 1,000,000 Israeli mines, which continue to kill innocent Lebanese farmers and children to this day.

The problem arises from the arrival of large European settler populations that flooded Palestine in their quest to escape the Holocaust and war in Europe. None of the "Allies" would take any of the European Jewish refugees into their respective countries. Instead the "Allies" encouraged the European Jewish refugees to settle in Palestine, which was under British colonial control.

The resistance of the Palestinians to Israel is not based on religious intolerance, as both Christians and Muslims recognize the Jewish roots of their faith, the resistance is based on the colonization of the indigenous population by a foreign force. This was true of the Black resistance in South Africa and it's true of the Palestinian resistance to Israel.

The Israeli state is slowly destroying the plural and diverse Jewish cultures, identities and experiences. This is all done in the name of Zionism and European colonization. The International Jewish Anti-Zionist Network is at the forefront of bringing awareness to this issue and shedding light on the struggles of the

indigenous Palestinian population. You can find out more at www.ijsn.net.

THANKS,
MARWAN MARWAN
PORT MOODY, BC

REVOLUTION

I wish I could go back in time to when I was just five years old. I would run away to some Amish country and beg to be accepted into their religion. I would never learn the values of Barbie, MTV, *Teen* magazine, junk food, holiday shopping and all the other garbage that comes with modern Western culture. I would never sell my soul to technology or credit cards or bills. Sure life wouldn't be easy. It would probably be damn hard. But it would be real. I would learn about real values like self-discipline and work ethics, good morals and principles. The best thing about being Amish is they have big families that stay together. They don't move thousands of miles away after school in search of work. They don't put their elderly in homes to die alone. Communities and families work together because they need each other. American culture used to be like this. These days everyone is alone. There is no humanity in absolutely anything.

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We need your voice, your tangible words, your inspiration, your sense of belonging, your readers, your writers and your interactive audience. You give those of us who feel helpless and lost in the undertow of this devolution a sense of community. You provide us with cover-to-cover ideology and epiphanies we can both relate to and partake in. We only ask one major thing. Please push out more of your magazine than the current bi-monthly publication.

ANDY SIPE  
VIA EMAIL

~~~~~  
Dear Adbusters,
Your description of people is negative and melancholy. Your cynical description of humans as a whole is disgraceful and unfair. Yes, there are some real scumbags in our society, but I believe there are more upright humans you forget to acknowledge. I am usually a fan of most of your articles, but a piece in *Adbusters*, #82 shook me to my core. The article was about a man jacking off to a woman and then craving her participation. The last line of the article is "Man, that's it. That's it, that's the 21st-century American dream." I found this appalling because the American Dream has been used as a positive and hopeful idiom: the house with the white picket fence and a wonderful family. This article portrays the American Dream

as wretched and disgusting and labels every 21st-century human as corrupt and perverted. Why does *Adbusters* have to make the generalization that every human is bad? Why can't you highlight the good in our society? I hope someday I will see an article acknowledging the noble aspects of our human existence.

MACIE SKIPWORTH

~~~~~  
Dear Adbusters,  
The current economic crisis is a sign that we desperately need to change. I think people need to stop blaming the government, corporations and banks, and start looking at themselves. Is it really any surprise that our system – a system based on ever-increasing consumption – is showing signs of failure? Does anyone really believe that the world has an infinite supply of resources at our disposal? What is needed is a revolution ... not an overthrow of the government but a revolution of ideology.

It has been crammed into our brains for so long that buying things leads to happiness that it's almost a part of what it means to be American. This ideology has been fueling our systems for a long time, but it can only continue up to a certain point. I don't think we have reached this point yet, but I think the current economic crisis is an early sign of the system's fate. I hope people start reading the signs. Change can be

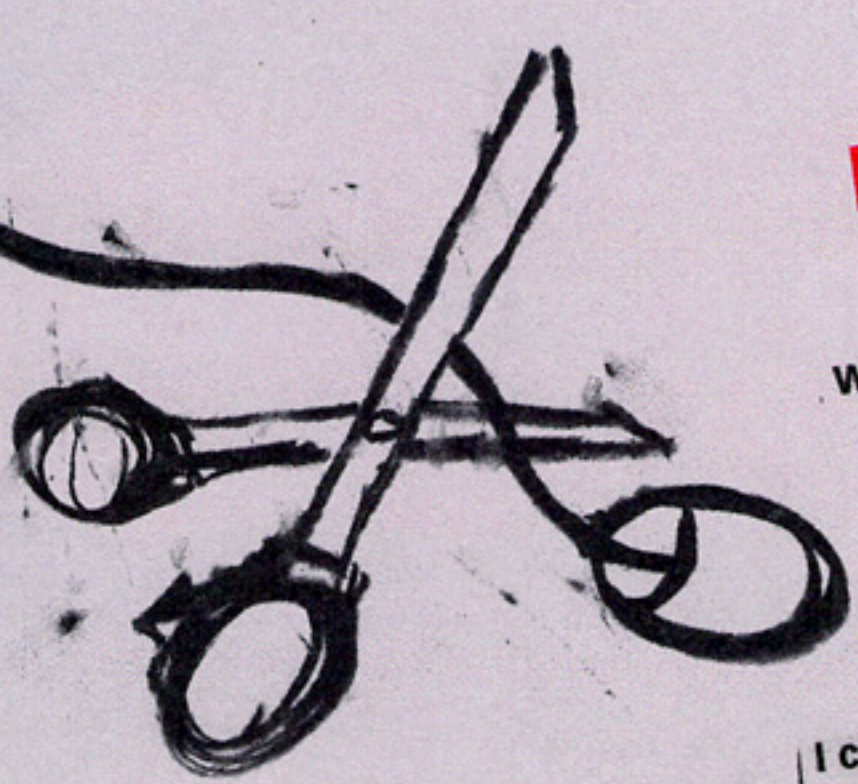
easy and it starts with just buying within your means. It begins by seeing through advertising and realizing that objects and things and brands are not a road to happiness. Our current situation is a wake-up call. I sincerely hope that the American people are ready to answer it.

ANONYMOUS  
VIA EMAIL

~~~~~  
Hi Adbusters,
I'm living in DC and consider myself a radical Christian and an anarchist. I have been thinking about the line I toe between my crazy Christian friends – who are totally committed to ending capitalism – and my crazy anarchist friends – who are also totally committed to ending capitalism. Yet they're not so fond of each other. Potlucks at our group house are always interesting ...

There's a growing movement of alternative Christian communities who are trying to work outside of the system: simple living under the tax radar, radical generosity, working in underserved communities, living communally ... As someone who moved toward Christianity through a social/economic/political justice lens, I find a lot of the answers in this community that I haven't found in some of the anarchist circles.

IN SOLIDARITY,
HAYLEY
VIA EMAIL



DESIGN ANARCHY

| I am to the info age | what engineers were
| to the age of steam
What scientists | were to the age of reason
| – I set the mood of the mental environment |
| – The look and lure of magazines
| – The tone and pull of tv
| – The give-and-take of the net
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| And the cynicism that underlies our postmodern condition

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PHOTOS BY IAN BUCHKO

=====

In a recent article [*Adbusters*, #83] the writer relates his positive experience lending money through Kiva, a microfinancing organization.

I'm currently a US Peace Corps volunteer working in rural Zambia. I'm in a village situated just outside the Meheba Refugee Camp and on the edge of the Lumwana Copper Mine. Huge amounts of aid come into the community, both inside and outside of the camp, in the form of education, funding, equipment and, of course, microfinancing. From my experience, one out of every 30-40 recipients fails to pay back their loan. They either never use the money for its intended purpose, or they fail in their projects due to poor planning and implementation. People receive funding for projects for which they have no background or training. It does not breed a good business environment if a recipient has no real stake in their project because they're using free borrowed money. Lenders lose out on money and communities are taught that free money is plentiful and should be expected. I am aware that 25 years of aid flowing into the area has changed the resident's value of money, but other volunteers, government workers, farmers and others who are not in my area can attest to the same result.

I by no means want people to stop lending, I just want them to do it in a responsible way. Do the research. Who is doing the initial headhunting for the recipients and why? What is the organization's track record with loan repayment? Do the recipients they lend to have a well thought-out, organized plan? Is it realistic? Does the organization monitor the recipient's progress? If the recipient is not making progress is the organization willing to stop or reclaim funding?

Again, I am not against microfinancing. It's just that I have seen money do more harm than good during my time in Zambia.

CHRISTOPHER CHAPMAN
VIA EMAIL

=====

Every few months I finish reading your magazine and fire off an angry email about how I'll never buy this rag again and how you have lost your way ... This is not one of those letters. Not since the first time I read your magazine have I felt like this.

It's not a "bliss" or a "happy" but it's a good feeling, something akin to hope.

ANONYMOUS
VIA EMAIL

Send us your stories,
photographs, epiphanies:
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artdirector@adbusters.org

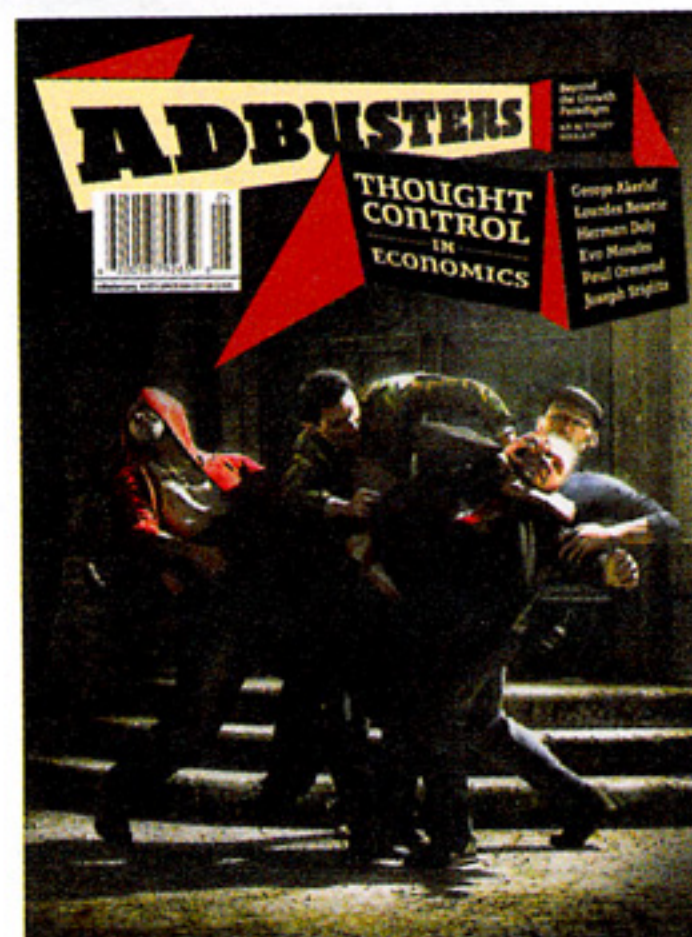


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RUTH SKINNER

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THE COMING INSURRECTION



The Tarnac 9 were once just nine individuals who had withdrawn from the capitalist paradigm to live a quiet, communal life in an isolated French mountain village. They grew their own food, opened a small grocery store and started a movie club where they screened films for their rural neighbors. The group, nearly all of whom hailed from affluent Paris suburbs, were highly educated and, by all accounts, friendly, helpful and generous. It was an idyllic existence, far from the consumer spectacle of modern urban existence.

But then someone – it has yet to be determined who – sabotaged railways in the surrounding countryside, injuring no one but delaying thousands of passengers for several hours.

Suddenly the commune became a cell. The isolated farmhouse became a base, the store became a front and the absence of mobile phones became evidence of an effort to avoid detection. Tarnac's native population became unwitting accomplices to terrorism. Nine became 9.

In a terrifying show of force, French authorities raided the farmhouse in the predawn hours of November 11, 2008 and tore its sleeping inhabitants from their beds. The balaclava-clad police handled their wards not as alleged vandals or even saboteurs but as high-level enemies of the state: terrorists.

The ensuing investigation centered mainly around Julien Coupat, a 34-year-old activist who was described by French Interior Minister Michèle Alliot-Marie as the leader of the "anarcho-autonomist cell." He had drawn the attention of the FBI for attending a protest outside an Army recruitment center in New York City which was later targeted in a bomb attack. French authorities were focused on his "ultra-leftist" activities, namely his communal lifestyle and alleged authorship of *The Coming Insurrection*.

Officially authored by "The Invisible Committee," an anonymous group of activists and intellectuals, *The Coming Insurrection* is a slim manual that predicts the imminent collapse of capitalist culture and outlines a plan for the regeneration of collectivist values. Written in the

wake of widespread riots that gripped French suburbs in 2005, the text is interpreted by some as an anarchist manifesto, a situationist-inspired call to arms. The French government sees it as a "manual for terrorism." The move against Coupat and the rest of the Tarnac 9 was intended as a preemptive strike against the burgeoning anti-capitalist movement in France. While the others were released with relative speed, Coupat was held under "preventative arrest" until May of 2009 and labeled by the government as a "pre-terrorist."

And there, buried within the idiom of conservative fear – leftist, anarcho, collectivist, commune – is the word that points to the real danger in this story: pre. Preemptive. Preventative. Pre-terrorist. The French government, fearing the societal upheaval that a mass rethink of capitalism would spawn, exercised the principles of preventive medicine as the doctrine of law. It suspected the presence of renegade cells, mutating into malignant tumors of dissent and threatening the health of the entire body politic, so the government acted preemptively by swiftly excising the tissue in question.

The one ray of hope shining down on this brave new world – in which people can be detained for transgressions they have yet to commit – is the massive show of solidarity that has grown around Coupat and the others. Groups have sprung up across France, Spain, the US and Greece. In Moscow, supporters marched in protest outside the French embassy. And in June an unauthorized reading of *The Coming Insurrection* at a Barnes & Noble in New York City sparked a spontaneous – albeit brief – insurgency that flowed through the streets and nearby shops. As the crowd pushed into a Union Square Starbucks, patrons closed their laptops and lowered their lattes. For a moment they were transfixed by the infidel who leapt onto a table and passionately recited passages from the book. As he assailed the very paradigm of which they were each implicitly a part, the customers – just for a moment – seemed to listen.

"I have no idea what's going on," said one. "But I like the excitement."

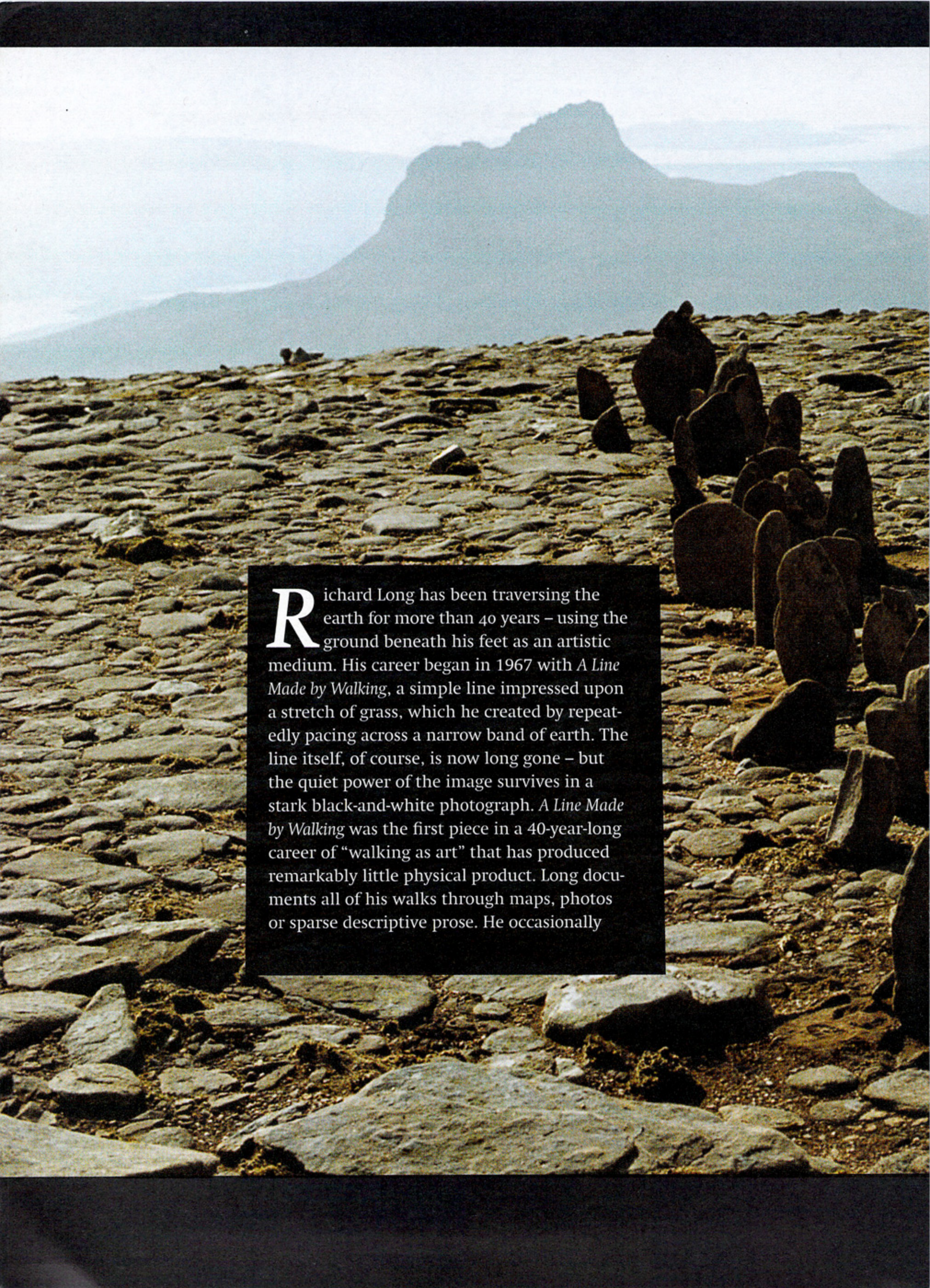
—Sarah Nardi

2019



PHOTOS BY ALEX LOCKETT





Richard Long has been traversing the earth for more than 40 years – using the ground beneath his feet as an artistic medium. His career began in 1967 with *A Line Made by Walking*, a simple line impressed upon a stretch of grass, which he created by repeatedly pacing across a narrow band of earth. The line itself, of course, is now long gone – but the quiet power of the image survives in a stark black-and-white photograph. *A Line Made by Walking* was the first piece in a 40-year-long career of “walking as art” that has produced remarkably little physical product. Long documents all of his walks through maps, photos or sparse descriptive prose. He occasionally



transports bits of indigenous material – such as mud from the English moors – and crafts sculpture and painting with an almost primal simplicity. But all of the physical objects Long creates are only meant to serve as tangible memorials of his walks. For Long, the walk itself is the art.

It's a unique concept, one that has helped Long defy categorization. He's not quite a land artist. His manipulation of the earth is minimal, a fact that sets his work apart from that of artists like Robert Smithson (*Spiral Jetty*) and James Turrell (*Roden Crater*). And though he does leave traces of himself behind – a line of stones in Scotland, a circle of driftwood in the Arctic – the pieces exist as they were created: in complete isolation. Long's actions are his art but he isn't performing – he always walks alone.

Long has described his art walks as a simple metaphor for life and a means of exploring relationships between time, distance, geography and measurement. And although the work seems motivated less by politics than intuition – Long's austere, ephemeral aesthetic evokes comparisons to the primitive state of man – the environmental undertones are impossible to ignore. Words like *biodegradable* and *sustainability* had yet to find their way into the popular lexicon when Long began creating his art, but his methods – leaving a mark without imparting a wound – seemed to quietly speak to a future imperative.

Beyond the environmental intimations, one can discern the faint shadow of an economic parable. Long is not a dreamy poet, prone to long bouts of bucolic wandering. He always sets out with a purpose, and his walks adhere to original, formalized plans. Long's walks are schema etched on the surface of the earth. They are a metaphor for the systems humans necessarily impose on the world. But unlike most, his systems yield little and displace less. Long imposes order on the natural world without disturbing the natural order.

—Sarah Nardi

Debbie from two streets away is offering to teach cartwheels and handstands. She also wants to plant an herb garden. I'm dying to cartwheel, I've wanted to learn for years. I imagine myself standing at the end of a clear supermarket aisle and then cartwheeling all the way down – a life-affirming act in a lifeless store. I'm growing enough herbs to share.

Debbie and I are made to trade. But we would never have met if my next-door neighbor and I hadn't recently started a Sharehood. We leafleted all the houses a few streets around ours, inviting our neighbors to a community BBQ and directing them to the website www.sharehood.org. The Sharehood was started by Rachel Kitchener, a web developer and activist, in 2008. "It's all about sharing skills and resources within your neighborhood," she says. In her hood, neighbors are already trading garden produce for worm

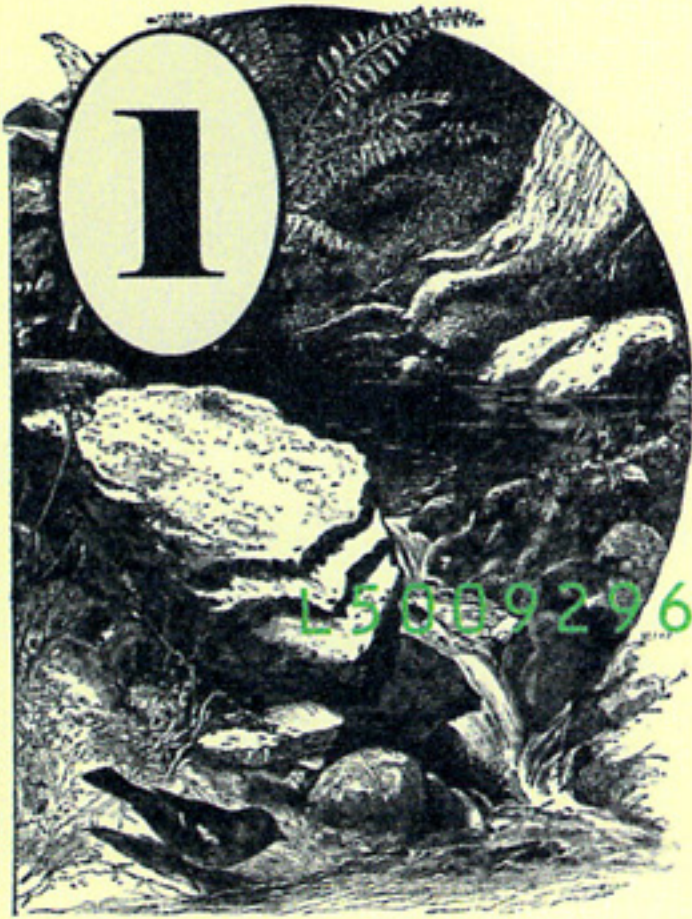
juice, babysitting each other's kids, fixing each other's cars, sharing compost heaps and chatting over tea.

The website helps neighbors meet face-to-face. It allows invited, logged-in members to see profiles of other members living within 400 meters. People post events, list things they can share and things they need. The site has its own trading system, a radical local currency to reward those who give to others. Everyone's details are private.

We're just starting out, but interest is high. There's a supermarket not far from where I live. Maybe when I can cartwheel and our Sharehood is strong, I'll visit one last time and find a clear aisle.

—Michael Green

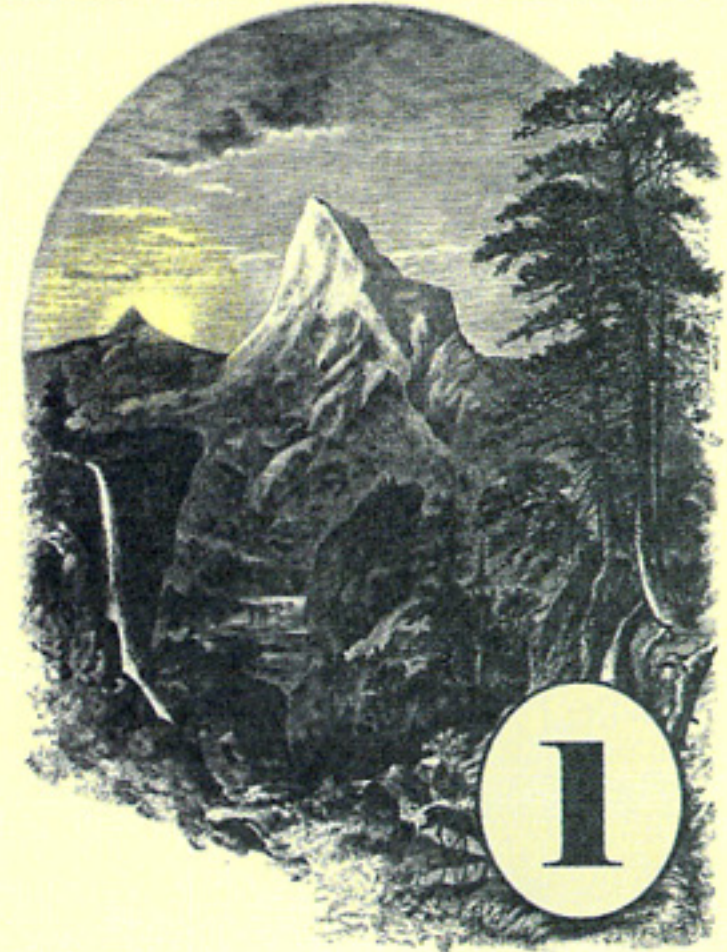
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YOU
TO KEEP
CONSUMING**

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